

103

# 1993 EMPOWERMENT ZONE AND ENTERPRISE COMMUNITY PROGRAM

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(103-59)

Y 4.P 96/11:103-59

1993 Empowerment Zone and Enterpris...

## HEARING

BEFORE THE

SUBCOMMITTEE ON  
ECONOMIC DEVELOPMENT  
OF THE

COMMITTEE ON  
PUBLIC WORKS AND TRANSPORTATION  
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

FEBRUARY 7, 1994

Printed for the use of the  
Committee on Public Works and Transportation



U.S. GOVERNMENT PRINTING OFFICE

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JACK SCHWENDORF, Minority Staff Director

February 3, 1994

**MEMORANDUM**

TO: Members, Subcommittee on Economic Development

FROM: Economic Development Subcommittee Staff

SUBJECT: SUMMARY OF SUBJECT MATTER for February 7, 1994 hearing to review current efforts and plans of the Appalachian Regional Commission and the Economic Development Administration to support Empowerment Zones and Enterprise Communities with infrastructure development.

On Monday, February 7, 1994, at 1:00 p.m., the Subcommittee will hold a hearing to review the current efforts and plans of the Appalachian Regional Commission, the Economic Development Administration, and other federal agencies to support Empowerment Zones and Enterprise Communities with infrastructure development. This summary of subject matter outlines the hearing's objective and provides background information on the Empowerment Zone and Enterprise Community Program.

**Hearing Objective**

The purpose of the hearing is twofold. First, the hearing will enable Committee Members to learn more about the federal government's Empowerment Zone and Enterprise Community (EZ/EC) Program including its objectives, eligibility criteria, and

(VII)

selection process. Second, the hearing will focus on how federal agencies, and especially the Economic Development Administration (EDA) and Appalachian Regional Commission (ARC), may coordinate their efforts to assist Empowerment Zones (EZs) and Enterprise Communities (ECs) with infrastructure development. The hearing will also address whether the ARC and EDA statutes provide these agencies with enough flexibility to use their funds to assist Zones and Communities.

### Empowerment Zone and Enterprise Community Program

#### States' Experiences

In the 1980s, many states established enterprise zones. Currently, 40 states and the District of Columbia have designated more than 3,000 enterprise zones. Many states have adopted a comprehensive approach to zone-based revitalization efforts, combining state regulatory relief and business investment incentives with a concerted effort to improve economically distressed communities' infrastructure and the living conditions of zone residents. In this way, enterprise zones increase investment, business formation, and employment in distressed areas and, thereby, induce broad economic revitalization. To date, these state zones have created almost 700,000 jobs and have attracted more than \$40 billion of investments in hundreds of urban, rural, and suburban communities throughout the Nation.

### Empowerment Zone and Enterprise Community Program

Building upon the states' experiences and his own first-hand experience as Governor of Arkansas, President Clinton proposed a Federal Empowerment Zone and Enterprise Community Program and it was included in the Omnibus Budget Reconciliation Act of 1993, signed into law on August 10, 1993 (P.L. 103-66, sec. 13301). Through a combination of tax benefits, substantial federal investment, and increased coordination among federal agencies, the EZ/EC Program will empower communities to carry out their own innovative strategies to encourage further economic growth within their areas. The Program will encourage increased business activity in these areas by overcoming impediments to economic development, such as high crime rates, inadequate public services, and a poorly educated and unskilled labor force. Before an area is eligible for designation as an Empowerment Zone or Enterprise Community, the nominated area must submit a strategic plan for improving the cycle of decline of the distressed community. The strategic plan should reflect the input of a wide range of participants including community residents, nonprofit and private sector organizations, and local governmental entities.

The Program adopts a two-tiered approach by creating nine Empowerment Zones and 95 Enterprise Communities that meet certain poverty and distress criteria and prepare innovative strategic plans for revitalization. The Secretary of Housing and Urban Development will designate six Empowerment Zones and 65 Enterprise Communities in urban areas and the Secretary of Agriculture will designate three EZs and 30 ECs in rural areas. In designating zones from among the nominated areas, the

appropriate secretary will take into account the effectiveness of the strategic plan submitted and the assurances from the state and local governments that the strategic plan will be implemented. Designated Enterprise Communities will receive Title XX Social Service Block Grants (SSBGs) and tax-exempt bonds to help finance a variety of businesses. In addition to these benefits, designated Empowerment Zones will receive a larger proportion of the block grants and employer tax credits, consisting primarily of wage credits to encourage businesses to hire zone residents.

#### Coordination of Federal Programs

On September 9, 1993, the Clinton Administration formed the Community Enterprise Board, chaired by Vice President Al Gore, and consisting of numerous cabinet secretaries, to oversee the EZ/EC Program, provide inputs on EZ/EC rules and regulations, and coordinate the federal agencies' economic development efforts to facilitate Empowerment Zone and Enterprise Community access to other federal programs. Agencies involved with community and economic development include, among others, the Department of Agriculture (USDA), the Appalachian Regional Commission, the Economic Development Administration, the Department of Health and Human Services (HHS), the Department of Housing and Urban Development (HUD), and the Small Business Administration (SBA). The Community Enterprise Board will encourage these agencies to give funding preference to EZ/ECs and to coordinate their programs and assistance.

### EZ/EC Program Schedule

On January, 18, 1994, a joint task force from HUD and USDA published the EZ/EC's interim rules and notices of application in the Federal Register. The departments are currently holding several regional meetings around the country for potential applicants and communities seeking more information about the Program. The final rules and regulations will be published after February 17, 1994, and applications must be received by June 30, 1994. The Departments of Agriculture and Housing and Urban Development expect to designate the Empowerment Zones and Enterprise Communities before September 30, 1994.

The following documents are attached for your information:

- o Hearing Agenda,
- o Empowerment Zone and Enterprise Community Benefits Summary,
- o Eligibility Criteria Summary,
- o Application Process Summary,
- o Schedule of Workshops for Potential Applicants, and
- o Interim Rules and Notices of Application.

At the hearing, we hope to be able to provide each Member with an EZ/EC application (Nomination for a Federal Empowerment Zone or an Enterprise Community), an EZ/EC application guide, a rural guidebook (Rural Guide for Strategic Planning in Empowerment Zones and Enterprise Communities); and an urban guidebook (A Guidebook for Community-Based Strategic Planning for Empowerment Zones and Enterprise Communities).

**EMPOWERMENT ZONE BENEFITS SUMMARY**

- o **Title XX Social Service Block Grants (SSBGs)**  
Each rural Empowerment Zone is eligible for two SSBGs totaling \$40 million. Each urban EZ is eligible for two grants totaling \$100 million. The grants may be used for a variety of social service and economic development projects including programs which train and employ disadvantaged adults and youths; provide transportation services; provide job, business, and financial management counseling; and promote home ownership.
- o **Employer Wage Credits**  
Employers engaged in business in an Empowerment Zone are eligible for wage credits up to 20 percent of the first \$15,000 of wages and qualified training expenses for each employee who resides in the Zone.
- o **Tax-Exempt Facility Bonds**  
Expanded use of tax-exempt state and local bond financing when used for certain zone properties. These bonds provide a tax incentive to finance purchases of business property and land in both Zones and Communities.
- o **Increased Expensing of Business Property (\$20,000 increased deduction)**  
Businesses afforded an increased Internal Revenue Code Section 179 deduction for depreciable tangible property (not land or buildings) from \$17,500 to \$37,500.

**ENTERPRISE COMMUNITY BENEFITS SUMMARY**

- o **Title XX Social Service Block Grants (SSBGs)**  
Each Enterprise Community is eligible for one SSBG totaling up to \$3 million. The grant will be provided to the EC's state and will then pass to the designated area. The grants may be used for a variety of social service and economic development projects including programs which train and employ disadvantaged adults and youths; provide transportation services; provide job, business, and financial management counseling; and promote home ownership.
- o **Tax-Exempt Facility Bonds**  
Expanded use of tax-exempt state and local bond financing when used for certain zone properties. These bonds provide a tax incentive to finance purchases of business property and land in both Zones and Communities.

**ELIGIBILITY CRITERIA SUMMARY**

**Poverty Rate Thresholds for Urban and Rural Areas:**

- o Must contain pervasive poverty, unemployment, and general distress; and
- o Must have poverty rate at or above:
  - o 20 percent poverty rate for each census tract in nominated area,
  - o 25 percent poverty rate in at least 90 percent of census tracts, and
  - o 35 percent poverty rate in at least 50 percent of census tracts.

**Rural Empowerment Zone and Enterprise Community Criteria:**

- o Nominated area lies outside a "Metropolitan Area";
- o Maximum population of nominated area of 30,000;
- o Nominated area may not exceed 1,000 square miles;
- o Nominated area may be within no more than three contiguous states;
- o If nominated area is within one state, it may consist of up to three separate, non-contiguous parcels; and
- o If nominated area includes more than one state, the area must have one continuous boundary.

**Urban Empowerment Zone and Enterprise Community Criteria:**

- o Nominated area lies inside a "Metropolitan Area";
- o Maximum aggregate population of all six urban zones may not exceed 750,000;
- o Maximum population of nominated area of 200,000. Maximum population is determined according to the population of the most populous city within an area;
- o Nominated area must not exceed 20 square miles;
- o Nominated area must be located within no more than two contiguous states; and
- o Nominated area must contain no more than three noncontiguous parcels or have one continuous boundary.

**APPLICATION PROCESS SUMMARY**

The application process is the same for all types of designations. The same application and accompanying forms are used for both Empowerment Zones and Enterprise Communities. Likewise, the application process is the same for rural and urban areas. There are, however, separate eligibility criteria and guidebooks for strategic planning in rural and urban areas. The area must be nominated by both the state(s) and the local governments, unless it is nominated by a state-chartered economic development organization. If an Empowerment Zone applicant is not awarded a designation, the applicant will automatically be considered for designation as an Enterprise Community.

While not mandatory, all communities intending to apply for designation as Empowerment Zones or Enterprise Communities should submit a "Notice of Intent to Participate". The Notice, located in the application forms packet, will place the applicant on the departments' mailing list ensuring that the applicant is provided with updated information on program requirements as well as information on technical assistance.



The deadline for receipt of the application is June 30, 1994, at 4:00 P.M. (E.D.T).

Late applications will not be accepted. If an applicant submits an incomplete application, the applicant will be notified and given an opportunity to provide any missing information.

Rural applications must be submitted to:

U.S. Department of Agriculture  
Rural Development Administration  
EZ/EC Team, Room 5405  
14th St. and Independence Ave., S.W.  
Washington, D.C. 20250-3200

additional information: (202) 690-1045

Urban applications must be submitted to:

U.S. Department of Housing and Urban Development  
Office of Community Planning and Development,  
EZ/EC Team, Room 7255  
451 7th Street, S.W.  
Washington, D.C. 20410

additional information: (202) 708-2035

## SCHEDULE OF WORKSHOPS FOR POTENTIAL APPLICANTS\*

The Departments of Agriculture (USDA) and Housing and Urban Development (HUD) have scheduled a series of training sessions for applicants at the following locations:

Chicago, Illinois	February 3	HUD
Seattle, Washington	February 7	HUD
Charleston, West Virginia	February 8	USDA
Lumberton, North Carolina	February 9	USDA
McAllen, Texas	February 11	USDA/HUD
Greenville, Mississippi	February 14	USDA
Cleveland, Ohio	February 14	HUD
Detroit, Michigan	February 16	HUD
Las Vegas, New Mexico	February 17	USDA
New York, New York	February 18	HUD
Atlanta, Georgia	February 23	USDA/HUD
Los Angeles, California	February 25	HUD
Kansas City, Missouri	February 28	USDA/HUD

\*Additional workshops may be announced at a later date.

HEARING BEFORE  
THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT  
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION  
U.S. HOUSE OF REPRESENTATIVES

Monday, February 7, 1994  
1:00 p.m.  
2167 Rayburn House Office Building

AGENDA

To review current efforts and plans of the Economic Development Administration and the Appalachian Regional Commission as well as other agencies to support Empowerment Zones and Enterprise Communities with infrastructure development.

WITNESSES

The Honorable Bob J. Nash  
Under Secretary, Small Community and Rural Development  
U.S. Department of Agriculture  
Washington, D.C.

The Honorable Wilbur F. Hawkins  
Acting Assistant Secretary for Economic Development  
U.S. Department of Commerce  
Washington, D.C.

Mr. Peter B. Edelman  
Counselor to the Secretary  
U.S. Department of Health and Human Services  
Washington, D.C.

The Honorable Mark C. Gordon  
Deputy Assistant Secretary for Operations  
U.S. Department of Housing and Urban Development  
Washington, D.C.

Mr. Michael R. Wenger  
States' Washington Representative  
Appalachian Regional Commission  
Washington, D.C.

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**Tuesday**  
**January 18, 1994**

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**Part VII**

**Department of  
Agriculture**

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**7 CFR Part 25**

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**Department of  
Housing and Urban  
Development**

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**24 CFR Part 597**

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**Designation of Empowerment Zones and  
Enterprise Communities; Interim Rules  
and Notices**

**Legal Register**

## DEPARTMENT OF AGRICULTURE

## Office of the Secretary

## 7 CFR Part 25

RIN 0503-AA09

## Designation of Rural Empowerment Zones and Enterprise Communities

AGENCY: Office of the Secretary, USDA.

ACTION: Interim rule with request for comments.

**SUMMARY:** This interim regulation implements that portion of subchapter C, part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of title XIII of the Omnibus Budget Reconciliation Act of 1993 (Pub. L. 103-66, approved August 10, 1993) dealing with the designation of rural Empowerment Zones and Enterprise Communities. Published elsewhere in this *Federal Register* is a companion regulation by the Department of Housing and Urban Development which implements their portion of title XIII of the Omnibus Budget Reconciliation Act of 1993. This rule authorizes the Secretary of Agriculture (USDA) to designate not more than three rural Empowerment Zones and not more than thirty rural Enterprise Communities based upon the effectiveness of the strategic plan submitted by an applicant and nominated by a State or States and local governments.

The purpose of this program is to empower rural communities and their residents to create jobs and opportunities to build for tomorrow as part of a Federal-State-local and private-sector partnership. Businesses will be encouraged to invest and create jobs in distressed areas, and comprehensive local strategic plans are to be adopted and implemented, encouraging entrepreneurship, furthering local self-development and assisting in the revitalization of these areas.

**DATES:** Interim rule effective January 18, 1994. Written comments must be submitted on or before February 17, 1994.

**ADDRESSES:** *Comments on Rule.*

Interested persons are invited to submit comments regarding this interim rule to the Office of the Chief, Regulation Analysis and Control Branch, Farmers Home Administration, Department of Agriculture, room 6348-S, 14th Street and Independence Avenue, SW., Washington, DC 20250. Communications should refer to the above CFR part and title. A copy of each communication submitted will be available for public inspection and

copying during regular business hours at the above address.

**FOR FURTHER INFORMATION CONTACT:**

Beverly C. Gillot, Strategy Development Staff, Rural Development Administration, Department of Agriculture, room 5405, 14th and Independence Ave, SW., Washington, DC 20250-3200, telephone 202-690-1045. (This is not a toll-free number), or by sending an Internet Mail message to: info@ezec.usda.gov to obtain information.

**SUPPLEMENTARY INFORMATION:****Paperwork Reduction Act**

The information collection requirements contained in this rule will be submitted to the Office of Management and Budget (OMB) for review under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520). Because these requirements are identical to those being required by the Department of Housing and Urban Development in their companion rule being published elsewhere in this *Federal Register*, clearance was sought through HUD for both agencies. The application was approved for use under OMB Number 2506-0148.

**I. Background**

The Empowerment Zones program confers upon rural distressed American communities the opportunity to take effective action to create jobs and opportunities. The program combines tax benefits with substantial investment of Federal resources and enhanced coordination among Federal agencies.

All communities which complete the nomination process will be strengthened by it: gaining by taking stock of their assets and problems, by creating a vision of a better future, and by structuring a plan for achieving their vision. Local partnerships among community residents, businesses, financial institutions, service providers, neighborhood associations and State and local governments will be formed or strengthened by going through the application process. Communities will be afforded an opportunity to work with these partners in the creation and implementation of a community-based strategic plan.

Communities that are not designated as Empowerment Zones or Enterprise Communities are eligible for certain benefits. Under a separate program directed by the Department of Housing and Urban Development, Community Development Corporations (CDCs) nominated by the locality, or the applicant for the Empowerment Zone or Enterprise Community, will be

considered eligible for designation to receive tax preferred contributions from donors. HUD has committed to designating eight rural CDCs for this program. Communities with innovative visions for change will be considered for requested waivers of Federal program regulations, flexible use of existing program funds, and cooperation in meeting essential mandates, even if they do not receive a designation by the Secretary as an Empowerment Zone or Enterprise Community.

Communities that are designated as Enterprise Communities receive a number of benefits. Enterprise Communities are eligible for new Tax-Exempt Facilities Bonds for certain private business activities. States with designated Communities will receive Empowerment Zone/Enterprise Community Social Service Block Grants (EZ/EC SSBG) in the amount of approximately \$3 million for each rural Enterprise Community to pass through to each designated area for approved activities identified in the strategic plans. Enterprise Communities receive special consideration in competition for funding under numerous Federal programs, including the new National Service and Community Policing initiatives. The Federal Government will focus special attention on working cooperatively with designated Enterprise Communities to overcome regulatory impediments, to permit flexible use of existing Federal funds, and to assist these Communities in meeting essential mandates.

Communities that are designated as Empowerment Zones receive all of the benefits provided to Enterprise Communities, in addition to other benefits. States with designated Empowerment Zones will receive Empowerment Zone/Enterprise Community Social Service Block Grants in the amount of \$40 million for each rural Empowerment Zone. Employer Wage Credits for Empowerment Zone residents are provided to qualified employers engaged in trade, business, or human service delivery in designated Empowerment Zones. Businesses are afforded an increased deduction under section 179 of the Internal Revenue Code for qualified investments.

The rural part of the program will be administered by USDA as a Federal-State-local-private partnership, with a minimum of red tape associated with the application process. Applicants must demonstrate the ability to design and implement an effective strategic plan for real opportunities for growth and revitalization, that deal with local problems in a comprehensive way, and must demonstrate the capacity or the

commitment to carry out these plans. Development of an effective plan must also involve the participation of the community affected by the nomination of the rural area, and of the private sector, acting in concert with the State or States and local governments. The plan should be developed in accordance with four key principles, which will also serve as the basis for the selection criteria that will be used to evaluate the plan. These key principles reflect the Secretary's intention that Empowerment Zone and Enterprise Community designations should be based on potential for successful economic and community revitalization as reflected in the strategic planning process, participants in the plan, and the quality of the plan. Poverty, unemployment, and other need factors are critical in determining eligibility for Empowerment Zone or Enterprise Community status, but play a less significant role in the selection process. The four key principles are:

(1) Economic opportunity, including job creation within the community and throughout the region, entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility.

(2) Sustainable community development, to advance the creation of liveable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community and human development.

(3) Community-based partnerships, involving participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning, other community institutions, and individual citizens; and

(4) Strategic vision for change, which identifies what the community will become and a strategic map for revitalization. The vision should build on assets and coordinate a response to community needs in a comprehensive fashion. It should also set goals and performance benchmarks for measuring progress and establish a framework for evaluating and adjusting the revitalization plan.

State and local governments and economic development corporations that are state chartered may nominate distressed rural areas for designation as Empowerment Zones (which will also permit their consideration for designation as Enterprise Communities), or solely for designation as Enterprise Communities.

Title XIII of the Omnibus Reconciliation Act of 1993 included Empowerment Zones and Enterprise Communities as a new program.

## II. Program Description

### General

Pursuant to title XIII of the Omnibus Reconciliation Act of 1993, the Secretary of USDA may designate up to three rural Empowerment Zones and up to thirty rural Enterprise Communities.

### Eligibility

To be eligible for designation as rural Empowerment Zone or Enterprise Community an area must:

- (1) Have a maximum population of 30,000.
- (2) Be one of pervasive poverty, unemployment, and general distress;
- (3) Not exceed one thousand square miles in total land area;
- (4) Demonstrate a poverty rate that is not less than:
  - (a) 20 percent in each census tract or census block numbering area (BNA);
  - (b) 25 percent in 90 percent of the population census tracts and BNAs within the nominated area;
  - (c) 35 percent for at least 50 percent of the population census tracts and BNAs within the nominated area;
- (5) Be located entirely within no more than three contiguous States, if it is located in more than one State, the area must have one continuous boundary; if located in only one State, the area may consist of no more than three noncontiguous parcels;
- (6) If the nominated area consists of noncontiguous parcels, each must independently meet the three poverty requirements;
- (7) Be located entirely within the jurisdiction of the unit or units of general local government making the nomination;
- (8) Not include any portion of a census-defined central business district unless the poverty rate for each population census tract is at least 35 percent for an Empowerment Zone and 30 percent for an Enterprise Community; and
- (9) Not include any portion of an Indian reservation.

### Nomination Process

The law requires that areas be nominated by one or more local governments and the State(s) in which a nominated rural area is located. Nominations can be considered for designation only if:

- (1) The area meets the eligibility requirements set forth in these rules;

(2) The area is within the jurisdiction of the nominating local government(s) and the State(s);

(3) The local government(s) and State(s) provide assurances that the required strategic plan submitted by the applicant will be implemented;

(4) All information furnished by the nominating local government(s) and State(s) is determined by the Secretary of USDA to be reasonably accurate;

(5) The local government(s) and State(s) certify that no portion of a nominated rural area is already in an Empowerment Zone or Enterprise Community or in an area otherwise nominated for designation; and

(6) The local government(s) and State(s) certify that they possess the legal authority to make the nomination.

The nomination must be accompanied by an application for designation including a strategic plan, which:

(1) Indicates and briefly describes the specific groups, organizations and individuals participating in the development of the plan, and describes the history of these groups in the community;

(2) Explains how participants were selected and provides evidence that the participants, taken as a whole, are broadly representative of the racial, cultural and economic diversity of the community;

(3) Describes the role of the participants in the creation and development of the plan and indicates how they will participate in its implementation;

(4) Identifies two or three topics addressed in the plan that caused the most serious disagreements among participants and describes how those disagreements were resolved.

(5) Explains how the community participated in choosing the area to be nominated and why the area was nominated;

(6) Provides evidence that key participants have the capacity or how they will develop the capacity to implement the plan;

(7) Provides a brief explanation of the community's vision for revitalizing the area;

(8) Explains how the vision creates economic opportunity, encourages self-sufficiency and promotes sustainable community development.

(9) Identifies key needs of the area and the barriers that restrict the community from achieving such goals, including a description of poverty and general distress, barriers to economic opportunity and development and barriers to human development.

(10) Discusses how the vision is related to the assets and capacities of the area and its surroundings; and

(11) Describes the ways in which the community's approaches to economic development, social/human services, transportation, housing, sustainable community development, public safety, drug abuse prevention, and educational and environmental concerns will be addressed in a coordinated fashion.

The strategic plan must identify how government resources will be used to support the plan. Specifically, the plan must indicate:

(1) How Social Service Block Grant funds for designated Zones and Communities, tax benefits for designated Zones and Communities, State and local resources, existing Federal resources available to the locality and additional Federal resources believed necessary to implement the strategic plan will be utilized within the Empowerment Zone or Enterprise Community;

(2) The level of commitment necessary to ensure that these resources will be available to the area upon designation; and

(3) The Federal resources being applied for or for which applications are planned.

The plan must identify private resources committed to its implementation, including:

(1) Private resources and support, including assistance from business, non-profit organizations and foundations, that are available to be leveraged with public resources; and

(2) Assurances that these resources will be made available to the area upon designation.

The plan must address changes needed in Federal rules and regulations necessary to implement the plan, including:

(1) Specific paperwork or other Federal program requirements that need to be altered to permit effective implementation of the strategic plan; and

(2) Specific regulatory and other impediments to implementing the strategic plan for which waivers are requested, with appropriate citations and an indication whether waivers can be accomplished administratively or require statutory changes.

The plan must demonstrate how State and local governments will reinvent themselves to help implement the plan, by:

(1) Identifying the changes that will be made in State and local organizations, processes and procedures, including laws and

ordinances, to facilitate implementation of the plan; and

(2) Explaining how different agencies in State and local governments will work together in new responsive ways to implement the strategic plan.

The plan must provide details as to the manner in which the plan will be implemented and indicate what benchmarks will be used to measure progress, by:

(1) Identifying the specific tasks necessary to implement the plan;

(2) Describing the partnerships that will be established to carry out the plan;

(3) Explaining how the strategic plan will be regularly revised to reflect new information and opportunities; and

(4) Identifying the baselines, benchmarks and goals that will be used in evaluating performance in implementing the plan.

### III. Justification for Interim Rule

It is the policy of this Department that rules relating to public property, loans, grants, benefits, or contracts shall be published for comment notwithstanding the exemption of 5 U.S.C. 553 with respect to such rules. However, exemptions are permitted where an agency finds, for good cause, that compliance would be impracticable, unnecessary, or contrary to public interest. The Department finds that good cause exists to publish this rule for effect without first soliciting public comment, in that prior public comment would be contrary to the public interest. The statute requires that communities prepare a comprehensive strategic plan to submit their applications. For many communities, such planning can take up to 5 months. Several additional months will be required to evaluate the applications and make designations. Section 1391(c) of the legislation requires that designations be made only after 1993 and before 1996. Given the statutory mandate to make all designations within a two-year time period, the extra time required to publish a proposed rule for a 60-day comment period before development of a final rule for effect would be contrary to congressional intent and the purpose of the legislation. The longer time period would unduly postpone an economic recovery for those communities and their residents for which this program is intended. Further, the Department finds that good cause exists in that prior public comment is unnecessary because the legislation being implemented by this rule is very prescriptive, with little room for discretion on the part of the Secretary.

The Department is interested, however, in the public reaction to the rule, and invites the public to comment. The Department is limiting the comment period to 30 days to permit adequate time for review of public comments and development of a final rule.

### IV. Notice

USDA is simultaneously publishing in this issue of the *Federal Register* a Notice Inviting Applications that contains more specific guidance on submission deadlines and the process of submission of applications.

### V. Other Matters

#### *Notional Environmental Policy Act*

This document has been reviewed in accordance with 7 CFR part 1940, subpart C, "Environmental Program." It is the determination of USDA that this action does not constitute a major Federal action significantly affecting the quality of the human environment and in accordance with the National Environmental Policy Act of 1969, Public Law 91-190, an Environmental Impact Statement is not required.

#### *Executive Order 12866, Regulatory Planning and Review*

This rule was reviewed and approved by the Office of Management and Review as a significant rule, as that term is defined in Executive Order 12866, which was signed by the President on September 30, 1993. The economic analysis required by Executive Order 12866 will be retained in the public file with the Department's Rule Docket Clerk.

#### *Regulatory Flexibility Act*

The Secretary, in accordance with The Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that the rule will not have a significant economic impact on a substantial number of small entities. The Act is intended to encourage Federal agencies to utilize innovative administrative procedures in dealing with individuals, small businesses, small organizations, and small governmental bodies that would otherwise be unnecessarily adversely affected by Federal regulations. To the extent that this rule affects those entities, its purpose is to reduce any disproportionate burden by providing for the waiver of regulations and by affording other incentives directed toward a positive economic impact. Therefore, no regulatory flexibility analysis under the Act is necessary.

*Executive Order 12611, Federalism*

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12611, Federalism, has determined that the policies contained in this rule will not have substantial direct effects on States or their political subdivisions, or the relationship between the Federal government and the States, or on the distribution of power and responsibilities among the various levels of government. The purpose of this rule is to provide a cooperative atmosphere between the Federal government and the States and local governments, and to reduce any regulatory burden imposed by the Federal government that impedes the ability of State and local governments to solve pressing economic, social, and physical problems in their communities.

**List of Subjects in 7 CFR Part 25**

Community development, Empowerment zones, Enterprise communities, Economic development, Housing, Indians, Intergovernmental relations, Reporting and recordkeeping requirements.

In accordance with the reasons set out in the preamble, title 7, subtitle A, part 25 of the Code of Federal Regulations is added as follows:

1. Title 7, subtitle A is amended by adding a new part 25 consisting only of subparts A through F at this time

**PART 25—RURAL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES***Sec.***Subpart A—General Provisions**

- 25.1 Applicability and scope
- 25.2 Objective and purpose
- 25.3 Definitions
- 25.4 Secretarial review and designation
- 25.5 Waivers

**Subpart B—Area Requirements**

- 25.100 Eligibility requirements and data usage
- 25.101 Data utilized for eligibility determinations
- 25.102 Tests of pervasive poverty, unemployment and general distress
- 25.103 Poverty rate

**Subpart C—Nomination Procedure**

- 25.200 Nominations by State and local governments
- 25.201 Evaluating the strategic plan
- 25.202 Submission of nominations for designation

**Subpart D—Designation Process**

- 25.300 USDA action and review of applications
- 25.301 Selection factors for designation of nominated rural areas
- 25.302 Number of Rural Empowerment Zones and Enterprise Communities

**Subpart E—Post-Designation Requirements**

- 25.400 Reporting
- 25.401 Periodic performance reviews
- 25.402 Validation of designation
- 25.403 Revocation of designation

**Subpart F—Special Rules**

- 25.500 Indian reservations
- 25.501 Governments
- 25.502 Nominations by economic development corporations
- 25.503 Use of census data
- 25.504 Rural areas

Authority: 5 U.S.C. 301; 7 U.S.C. 1989 (a) 1, 42 U.S.C. 1480

**Subpart A—General Provisions****§ 25.1 Applicability and scope.**

(e) *Applicability.* This part establishes policies and procedures applicable to rural Empowerment Zones and Enterprise Communities, authorized under the Omnibus Budget Reconciliation Act of 1993, title XIII, subchapter C, part I (Pub. L. 103-66, approved August 10, 1993), which amended the Internal Revenue Code by adding a new subchapter U, relating to the designation and treatment of Empowerment Zones and Enterprise Communities.

(b) *Scope.* This part contains provisions relating to area requirements, the nomination process for rural Empowerment Zones and rural Enterprise Communities, and the designation of these Zones and Communities by USDA. Provisions dealing with the nominations and designation of urban Empowerment Zones and Enterprise Communities are promulgated by the United States Department of Housing and Urban Development (HUD). USDA and HUD will consult in all cases in which nominated areas possess both rural and urban characteristics, and will utilize a flexible approach in determining the appropriate designation.

**§ 25.2 Objective and purpose.**

The purpose of this part is to provide for the establishment of Empowerment Zones and Enterprise Communities in rural areas, to stimulate the creation of new jobs, particularly for the disadvantaged and long-term unemployed, and to promote revitalization of economically distressed areas, primarily by providing or encouraging:

(e) Coordination of economic, human, community, and physical development plans and related activities at the local level;

(b) Local partnerships fully involving affected communities and local institutions and organizations in developing and implementing a

strategic plan for any nominated rural Empowerment Zone or Enterprise Community;

(c) Tax incentives and credits; and

(d) Empowerment Zone/Enterprise Community Social Service Block Grant (EZ/EC SSBG) funds.

**§ 25.3 Definitions.**

As used in this part—*Applicant* means the lead entity that has prepared and will implement the community's strategic plan, pursuant to the provisions of § 25.200(c) of this part, for comprehensive economic, human, community, and physical development within the area; such an entity may include, but is not limited to, state governments, local governments, regional planning agencies, non-profit organizations, community-based organizations, or a partnership of community members and other entities.

*Designation* means the process by which the Secretary designates rural areas as Empowerment Zones or Enterprise Communities eligible for tax incentives and credits established by subchapter U of the Internal Revenue Code (26 U.S.C. 1391 *et seq.*), EZ/EC Social Service Block Grants as established by the Department of Health and Human Services, and for special consideration for programs of Federal assistance.

*Empowerment Zone* means a rural area so designated by the Secretary pursuant to this part. Up to three such Zones may be designated.

*Enterprise Community* means a rural area so designated by the Secretary pursuant to this part. Up to 30 such Communities may be designated.

*Indian reservation* means a reservation as defined in section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)) or section 4(10) of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903(10)).

*Local government* means any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and any combination of these political subdivisions which is recognized by the Secretary.

*Nominated area* means an area which is nominated by one or more local governments and the State or States in which it is located for designation pursuant to this part.

*Population census tract* means a census tract, or, if census tracts are not defined for the area, a block numbering area.

*Poverty* means the number of persons listed as being in poverty in the 1990 Census.



*Revocation of designation* means the process by which the Secretary may revoke the designation of an area as an Empowerment Zone or Enterprise Community pursuant to § 25.403 of this part.

*Rural area* means any area defined pursuant to § 25.504 of this part.

*Secretary* means the Secretary of Agriculture.

*State* means any State in the United States.

*Strategic plan* means a strategy developed by the applicant, with the participation and commitment of local governments, State government(s), private sector, community members and others, pursuant to the provisions of § 25.200(c) of this part. The plan must include written commitments from the local governments and State(s) that they will adhere to the strategy.

*USDA* means the U.S. Department of Agriculture.

#### § 25.4 Secretarial review and designation.

(a) *Designation.* The Secretary will review applications for the designation of nominated rural areas to determine the effectiveness of the strategic plans submitted by applicants in accordance with § 25.200 of this part. The Secretary will designate up to three rural Empowerment Zones and up to 30 rural Enterprise Communities.

(b) *Period of designation.* The designation of a rural area as an Empowerment Zone or Enterprise Community shall remain in full effect during the period beginning on the date of designation and ending on the earliest of:

- (1) The close of the tenth calendar year beginning on or after the date of designation;
- (2) The termination date designated by the State and local governments in their application for nomination; or
- (3) The date the Secretary revokes or modifies the designation, in accordance with § 25.402 or § 25.403 of this part.

#### § 25.5 Waivers.

The Secretary may waive any provision of this part in any particular case subject only to statutory limitations, for good cause, where it is determined that application of the requirement would produce a result adverse to the purpose and objectives of this part.

#### Subpart B—Area Requirements

##### § 25.100 Eligibility requirements and data usage.

*Eligibility criteria.* A nominated rural area may be eligible for designation pursuant to this part only if the area:

(a) Has a maximum population of 30,000;

(b) Is one of pervasive poverty, unemployment, and general distress, as described in § 25.102 of this part;

(c) Does not exceed one thousand square miles in total land area;

(d) Be located entirely within no more than three contiguous States; if it is located in more than one State, the area must have one continuous boundary; if located in only one State, the area may consist of up to three noncontiguous parcels;

(e) Is located entirely within the jurisdiction of the unit or units of general local government making the nomination;

(f) Does not include any portion of a central business district, as this term is used in the most recent Census of Retail Trade, unless the individual poverty rate for each population census tract in the district is not less than 35 percent for an Empowerment Zone and 30 percent for an Enterprise Community; and

(g) Does not include any area within an Indian reservation.

##### § 25.101 Data utilized for eligibility determinations.

(a) *Source of data.* The data to be employed in determining eligibility pursuant to the criteria described in § 25.102 of this part shall be based on the 1990 Census, and from information published by the Bureau of the Census and the Bureau of Labor Statistics. The data shall be comparable in point or period of time and methodology employed.

(b) *Use of statistics on boundaries.* The boundary of a rural area nominated for designation as an Empowerment Zone or Enterprise Community must coincide with the boundaries of census tracts, or, where tracts are not defined, with block numbering areas.

##### § 25.102 Tests of pervasive poverty, unemployment and general distress.

(a) *Pervasive poverty.* Conditions of poverty must be reasonably distributed throughout the entire nominated area. The degree of poverty shall be demonstrated by citing available statistics on low-income population and levels of public assistance. Poverty is demonstrated by poverty data from the 1990 census.

(b) *Unemployment.* The degree of unemployment shall be demonstrated by the provision of information on the number of persons unemployed, underemployed (those with only a seasonal or part-time job) or discouraged workers (those capable of working but who have dropped out of the labor

market—hence are not counted as unemployed), increase in unemployment rate, job loss, plant or military base closing, or other relevant unemployment indicators having a direct effect on the nominated area.

(c) *General distress.* General distress shall be evidenced by describing adverse conditions within the nominated area other than those of pervasive poverty and unemployment. Below average or decline in per capita income, earnings per worker, per capita property tax base, average years of school completed; outmigration and population decline from 1980–1990; and a high or rising incidence of crime, narcotics use, abandoned housing, deteriorated infrastructure, school dropouts and illiteracy are examples of appropriate indicators of general distress. The data and methods used to produce such indicators that are used to describe general distress must all be stated.

##### § 25.103 Poverty rate.

(a) *General.* Eligibility of an area on the basis of poverty shall be established in accordance with the following criteria:

(1) In each census tract within a nominated area, the poverty rate shall be not less than 20 percent; and

(2) For at least 90 percent of the population census tracts within the nominated area, the poverty rate shall not be less than 25 percent; and

(3) For at least 50 percent of the population census tracts within the nominated area, the poverty rate shall be not less than 35 percent.

(b) *Special rules relating to the determination of poverty rate*

(1) *Census tracts with no population.* Census tracts with no population shall be treated as having a poverty rate that meets the standard of paragraphs (a)(1) and ((a))(2) of this section, but shall be treated as having a zero poverty rate for purposes of applying paragraph (a)(3) of this section.

(2) *Census tracts with populations of less than 2,000.* A population census tract with a population of less than 2,000 shall be treated as having a poverty rate that meets the requirements of paragraphs (a)(1) and (a)(2) of this section if more than 75 percent of the tract is zoned for commercial or industrial use.

(3) *Adjustment of poverty rates for Enterprise Communities.* For Enterprise Communities only, the Secretary has the discretion to reduce by 5 percentage points one of the following thresholds for not more than 10 percent of the census tracts, or, if fewer, five

population census tracts in the nominated area:

- (i) The 20 percent threshold in paragraph (e)(1) of this section;
- (ii) The 25 percent threshold in paragraph (a)(2) of this section; and
- (iii) The 35 percent threshold in paragraph (a)(3) of this section;

Provided that, the Secretary may in the alternative reduce the 35 percent threshold by 10 percentage points for three population census tracts.

(4) *Rounding up of percentages.* In making the calculations required by this section, the Secretary shall round all fractional percentages of one-half percentage point or more up to the next highest whole percentage point figure.

(c) *Noncontiguous areas.* There can be no more than 3 noncontiguous areas if the nominated area is located within one state; noncontiguous areas are not allowed in the multistate areas. Each such parcel must separately meet the poverty criteria set forth in this section.

(d) *Area not within census tracts.* In the case of an area that does not have population census tracts, the block numbering area shall be used for purposes of determining poverty rates.

#### Subpart C—Nomination Procedure

##### § 25.200. Nominations by State and local governments.

(a) *Nomination criteria.* One or more local governments and the State or States in which an area is located must nominate such area for designation as an Empowerment Zone or Enterprise Community; if:

(1) The rural area meets the requirements for eligibility described in § 25.100 and § 25.103 of this part.

(2) The rural area is entirely within the jurisdiction of the nominating State or States and local government(s); such governments must have the authority to nominate the area for designation and provide written assurances satisfactory to the Secretary that the strategic plan described in paragraph (c) of this section will be implemented.

(3) All information furnished by the nominating State(s) and local government(s) is determined by the Secretary to be reasonably accurate; and

(4) The State(s) and local government(s) certify that no portion of the area nominated is already included in an Empowerment Zone or Enterprise Community under this Act or in an area otherwise nominated to be designated under this section.

(b) *Nomination for designation.* No rural area may be considered for designation pursuant to subpart D of this part unless the application for designation:

(1) Demonstrates that the nominated rural areas satisfies the eligibility criteria set forth at § 25.100 of this part;

(2) Includes a strategic plan, as described in paragraph (c) of this section; and

(3) Includes such other information as may be required by USDA in a Notice Inviting Applications, to be published in the *Federal Register*.

(c) *Strategic plan.* Each application for designation must be accompanied by a strategic plan, which must be developed in accordance with four key principles that will be utilized to evaluate the plan. These key principles are:

(1) Economic opportunity, including job creation within the community and throughout the region, entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility;

(2) Sustainable community development, to advance the creation of liveable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community and human development;

(3) Community-based partnerships, involving the participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning, and other community institutions and individual citizens; and

(4) Strategic vision for change, which identifies what the community will become and a strategic map for revitalization. The vision should build on assets and coordinate a response to community needs in a comprehensive fashion. It should also set goals and performance benchmarks for measuring progress and establish a framework for evaluating and adjusting the revitalization plan.

(d) *Elements of strategic plan.* The strategic plan should:

(1) Indicate and briefly describe the specific groups, organizations, and individuals participating in its production, and describe the history of these groups in the community;

(2) Explain how participants were selected and provide evidence that the participants, taken as a whole, are broadly representative of the entire community;

(3) Describe the role of the participants in the creation and development of the plan and indicate how they will participate in its implementation.

(4) Identify two or three topics addressed in the plan that caused the most serious disagreements among participants and describe how those disagreements were resolved;

(5) Explain how the community participated in choosing the area to be nominated and why the area was nominated;

(6) Provide evidence that key participants have the capacity to implement the plan;

(7) Provide a brief explanation of the community's vision for revitalizing the area;

(8) Explain how the vision creates economic opportunity, encourage self-sufficiency and promotes community development;

(9) Identify key community goals and the barriers that restrict the community from achieving these goals, including a description of poverty and general distress, barriers to economic opportunity and development, and barriers to human development;

(10) Discuss how the vision is related to the assets and needs of the area as well as to the surrounding community;

(11) Describe the ways in which the community's approaches to economic development, social/human services, transportation, housing, community development, public safety, drug abuse prevention and educational and environmental concerns will be addressed in a coordinated fashion; and explain how these linkages support the community's vision;

(12) Indicate how EZ/EC SSBG funds for the designated Empowerment Zone or Enterprise Community will be utilized.

(i) In doing so, the Strategic Plan shall provide the following information:

(A) A commitment by the applicant, as well as by the State government(s), that the EZ/EC SSBG funds will be used to supplement, not replace, other Federal or non-Federal funds for services or activities eligible under the SSBG program;

(B) A description of the entities that will administer the EZ/EC SSBG funds.

(C) A certification by such entities that they will provide periodic reports on the use of the EZ/EC SSBG funds, and

(D) A detailed description of the activities to be financed with the EZ/EC SSBG funds and how such funds will be allocated.

(ii) The EZ/EC SSBG funds may be used to achieve or maintain the following goals, through undertaking one of the below specified program options:

(A) The goal of economic self-support to prevent, reduce or eliminate

dependencies, through one of the following program options:

(1) Funding community and economic development services focused on disadvantaged adults and youths, including skills training, transportation services and job, housing, business and financial management counseling;

(2) Supporting programs that promote home ownership, education or other routes to economic independence for low-income families, youth and other individuals;

(3) Assisting in the provision of emergency and transitional shelter for disadvantaged families, youth and other individuals;

(B) The goal of self-sufficiency, including reduction or prevention of dependencies, through one of the following program options:

(1) Providing assistance to non-profit organizations and/or community and junior colleges that provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurial, self employment and other skills that promote individual self-sufficiency, and the interest of the community;

(2) Funding programs to provide training and employment for disadvantaged adults and youths in construction, rehabilitation or improvement of affordable housing, public infrastructure and community facilities; and,

(C) The goal of prevention or amelioration of the neglect, abuse, or exploitation of children and/or adults unable to protect themselves; and where appropriate the goal of preservation or rehabilitation of families, through one of the following program options:

(1) Providing support for residential or non-residential drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women, mothers and their children;

(2) Establishing programs that provide activities after school hours, including keeping school buildings open during evenings and weekends for senior and study programs.

(iii) If the applicant intends to use the EZ/EC SSBG funds for program options not included in paragraph (b) of this section, the strategic plan must indicate how the proposed activities meet the goals set forth in paragraph (b) of this section, and the reasons any approved program options were not pursued.

(iv) To the extent that the EZ/EC SSBG funds are used for the program options included in paragraph (b) of this section, the applicant may use EZ/EC SSBG funds for the following activities, in addition to those activities permitted

by section 2005 of the Social Security Act:

(A) To purchase or improve land or facilities;

(B) To make cash payments to individuals for subsistence or room and board;

(C) To make wage payments to individuals as a social service;

(D) To make cash payments for medical care; and

(E) To provide social services to institutionalized persons.

(v) The State must obligate the EZ/EC SSBG funds to the applicant in accordance with the Strategic Plan within 2 years from the date of designation of the Empowerment Zone or Enterprise Community.

(vi) The Strategic Plan must indicate how the EZ/EC SSBG funds will be invested and used for the 10-year period of designation. The EZ/EC SSBG funds may be used to promote economic independence for low-income residents, such as capitalizing revolving or micro-enterprise loan funds for the benefit of residents. The EZ/EC SSBG funds may also be used to create jobs and promote economic opportunity for low-income families and individuals through matching grants, loans, or investments in community development financial institutions.

(13) Indicate how tax benefits for designated Zones and Communities, State and local resources, existing Federal resources available to the locality and additional Federal resources believed necessary to implement the strategic plan will be utilized within the Empowerment Zone or Enterprise Community;

(14) Indicate a level of commitment necessary to ensure that these resources will be available to the area upon designation;

(15) Identify the Federal resources applied for or for which applications are planned;

(16) Identify private resources and support, including assistance from businesses, non-profit organizations, and foundations, which are available to be leveraged with public resources; and provide assurances that these resources will be made available to the area upon designation.

(17) Identify changes requested in Federal rules and regulations necessary to implement the plan, including specific paperwork or other Federal program requirements that must be altered to permit effective implementation of the strategic plan;

(18) Identify specific regulatory and other impediments to implementing the strategic plan for which waivers are requested, with appropriate citations

and an indication whether waivers can be accomplished administratively or require statutory changes;

(19) Demonstrate how State and local governments will reinvent themselves to help implement the plan, by identifying changes that will be made in State and local organizations, processes and procedures, including laws and ordinances;

(20) Explain how different agencies in State and local governments will work together in new responsive ways to implement the strategic plan;

(21) Identify the specific tasks necessary to implement the plan;

(22) Describe the partnerships that will be established to carry out the plan;

(23) Explain how the plan will be regularly revised to reflect new information and opportunities; and

(24) Identify baselines, benchmarks and goals that will be used in evaluating performance in implementing the plan.

(e) *Prohibition against business relocation.* The strategic plan may not include any action to assist any establishment in relocating from an area outside the nominated area to the nominated area, except that assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary is permitted, if:

(1) The establishment of a new branch affiliate or subsidiary will not result in a decrease in employment in the area of original location or in any other area where the existing business entity conducts business operations; and

(2) There is no reason to believe that the new branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where the existing business entity conducts business operations.

(f) *Implementation of strategic plan.* The strategic plan may be implemented by the State government(s), local governments, regional planning agencies, non-profit organizations, community-based organizations, and/or by other non-governmental entities. Activities included in the plan may be funded from any resource, Federal, State, local, or private, which agrees to provide assistance to the nominated area.

(g) *Elements of the strategic plan.* A strategic plan may include, but is not limited to, activities that address:

(1) Economic problems; through measures designed to create employment opportunities; support business startup or expansion; or development of community institutions;

(2) Human concerns, through the provision of social services, such as rehabilitation and treatment programs or the provision of training, education or other services within the effected area.

(3) Community needs, such as the expansion of housing stock and homeownership opportunities, efforts to reduce homelessness, to promote fair housing and equal opportunity, to reduce and prevent crime and improve security in the area; and

(4) Physical improvements, such as the provision or improvement of public infrastructure, or the provision or improvement of recreational, transportation, or other public services within the effected area.

#### § 25.201 Evaluating the strategic plan.

The strategic plan will be evaluated for effectiveness as part of the designation process for nominated rural areas described in § 25.301 of this part. On the basis of this evaluation, USDA may request additional information pertaining to the plan and the proposed area and may, as part of that request, suggest modifications to the plan, proposed area, or term that would enhance its effectiveness. The effectiveness of the strategic plan will be determined in accordance with the four key principles set forth in § 25.200(c) of this part. USDA will review each plan submitted in terms of the four equally weighted key principles, and of such other elements of these key principles as are appropriate to address the opportunities and problems of each nominated area, which may include:

(a) *Economic opportunity.* The extent to which businesses, jobs and entrepreneurship will increase within the Zone or Community;

(2) The extent to which residents will achieve a real economic stake in the Zone or Community;

(3) The extent to which residents will be employed in the process of implementing the plan and in all phases of economic and community development;

(4) The extent to which residents will be linked with employers and jobs throughout the entire area and the way in which residents will receive training, assistance, and family support to become economically self-sufficient;

(5) The extent to which economic revitalization in the Zone or Community interrelates with the broader regional economies; and

(6) The extent to which lending and investment opportunities will increase within the Zone or Community through the establishment of mechanisms to encourage community investment and to create new economic growth;

(b) *Sustainable community development.* (1) *Consolidated planning.* The extent to which the plan is part of a larger strategic community development plan for the nominating localities and is consistent with broader regional development strategies;

(2) *Public safety.* The extent to which strategies such as community policing will be used to guarantee the basic safety and security of persons and property within the Zone or Community;

(3) *Amenities and design.* The extent to which the plan considers issues of design and amenities that will foster a sustainable community, such as open spaces, recreational areas, cultural institutions, transportation, energy, land and water uses, waste management, environmental protection and the vitality of life of the community;

(4) *Sustainable development.* The extent to which economic development will be achieved in a manner consistent that protects public health and the environment;

(5) *Supporting families.* The extent to which the strengths of families will be supported so that parents can succeed at work, provide nurture in the home, and contribute to the life of the community;

(6) *Youth development.* The extent to which the development of children, youth, and young adults into economically productive and socially responsible adults will be promoted, and the extent to which young people will be provided with the opportunity to take responsibility for learning the skills, discipline, attitude, and initiative to make work rewarding;

(7) *Education goals.* The extent to which schools, religious organizations, non-profit organizations, for-profit enterprises, local governments and families will work cooperatively to provide all individuals with the fundamental skills and knowledge they need to become active participants and contributors to their community, and to succeed in an increasingly competitive global economy;

(8) *Affordable housing.* The extent to which a housing component, providing for adequate safe housing and ensuring that all residents will have equal access to that housing is contained in the strategic plan;

(9) *Drug abuse.* The extent to which the plan addresses levels of drug abuse and drug-related activity through the expansion of drug treatment services, drug law enforcement initiatives, and community-based drug abuse education programs; and

(10) *Equal opportunity.* The extent to which the plan offers an opportunity for diverse residents to participate in the

rewards and responsibilities of work and service. The extent to which the plan ensures that no business within a nominated Zone or Community will directly or through contractual or other arrangements subject a person to discrimination on the basis of race, color, national origin, gender, handicap or age in its employment practices, including recruitment, recruitment advertising, employment, layoff, termination, upgrading, demotion, transfer, rates of pay or the forms of compensation, or use of facilities. Applicants must comply with the provisions of title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, as implemented by USDA.

(c) *Community-based partnerships—*  
(1) *Community partners.* The extent to which residents of the nominated area have participated in the development of the strategic plan and their commitment to implementing it. The extent to which community-based organizations in the nominated area have participated in the development of the plan, and their record of success measured by their achievements and support for undertakings within the nominated area;

(2) *Private and non-profit organizations as partners.* The extent to which partnership arrangements include commitments from private and non-profit organizations, including corporations, utilities, banks and other financial institutions, and educational institutions supporting implementation of the strategic plan.

(3) *State and local government partners.* The extent to which State(s) and local governments are committed to providing support to the strategic plan, including their commitment to "reinventing" their roles and coordinating programs to implement the strategic plan; and

(4) *Permanent implementation and evaluation structure.* The extent to which a responsible and accountable implementation structure or process has been created to ensure that the plan is successfully carried out and that improvements are made throughout the period of the Zone or Community's designation.

(d) *Strategic vision for change—*  
(1) *Goals and coordinated strategy.* The extent to which the strategic plan reflects a projection for the community's revitalization which links economic, human, physical community development and other activities in a mutually reinforcing, synergistic way to achieve ultimate goals.

(2) *Creativity and innovation.* The extent to which the activities proposed in the plan are creative, innovative and promising and will promote the civic spirit necessary to revitalize the nominated area.

(3) *Building on assets.* The extent to which the vision for revitalization realistically addresses the needs of the nominated area in a way that takes advantage of its assets; and

(4) *Benchmarks and learning.* The extent to which the plan includes performance benchmarks for measuring progress in its implementation, including an ongoing process for adjustments, corrections and building on what works.

**§ 25.202 Submission of nominations for designation.**

(a) *General.* A separate nomination for designation as an Empowerment Zone and/or Enterprise Community must be submitted for each rural area for which such designation is requested. The nomination shall be submitted in a form to be prescribed by USDA in the Notice Inviting Applications published in the Federal Register, and must contain complete and accurate information.

(b) *Certifications.* Certifications must be submitted by the State(s) and local government(s) requesting designation stating that:

(1) The nominated area satisfies the boundary tests of § 25.100(d) of this part.

(2) The nominated area is one of pervasive poverty, unemployment, and general distress, as prescribed by § 25.102 of this part.

(3) The nominated area satisfies the poverty rate criteria set forth in § 25.103 of this part.

(4) The nominated rural area contains no portion of an area that is either already designated as an Empowerment Zone and/or Enterprise Community or is otherwise included in any other area nominated for designation as an Empowerment Zone and/or Enterprise Community;

(5) Each nominating governmental entity has the authority to:

(i) Nominate the rural area for designation as an Empowerment Zone and/or Enterprise Community;

(ii) Make the State and local commitments required by § 25.200(d) of this part; and

(iii) Provide written assurances satisfactory to the Secretary that these commitments will be met;

(6) Provide assurances the amounts provided to the State for the area under section 2007 of title XX of the Social Security Act will not be used to supplant Federal or non-Federal funds

for services and activities which promote the purposes of section 2007;

(7) Provide that the nominating governments or corporations agree to make available all information requested by USDA to aid in the evaluation of progress in implementing the strategic plan and reporting on the use of Empowerment Zone/Enterprise Community Social Service Block Grant funds; and

(8) Provide assurances that the nominating State(s) agrees to distribute the Empowerment Zone/Enterprise Community Social Service Block Grant funds in accordance with the strategic plan submitted for the designated Zone or Community.

(c) *Maps and area description.* Maps and general description of the nominated area shall accompany the nomination request.

**Subpart D—Designation Process**

**§ 25.300 USDA action and review of nominations for designation.**

(a) *Establishment of submission procedures.* USDA will establish a time period and procedure for the submission of application as Empowerment Zones or Enterprise Communities, including submission deadlines and addresses, in a Notice Inviting Applications, to be published in the Federal Register.

(b) *Acceptance for processing.* USDA will accept for processing those applications as Empowerment Zones or Enterprise Communities which USDA determines have met the criteria required under this part. USDA will notify the State(s) and local government(s) whether or not the nomination has been accepted for processing. The criteria for acceptance for processing are as follows:

(1) The application as an Empowerment Zone or Enterprise Community must be received by USDA on or before the close of business on the date established by the Notice Inviting Applications published in the Federal Register. The applications must be complete and must be accompanied by a strategic plan, as required by § 25.200(c) and the certifications required by § 25.202(b).

(2) The application as an Empowerment Zone or Enterprise Community must be complete and must be accompanied by a strategic plan, as required by § 25.200(c) of this part, and the certifications required by § 25.202(b) of this part.

(c) *Evaluation of applications.* In the process of reviewing each application accepted for processing, USDA may undertake a site visit(s) to any

nominated area to aid in the process of evaluation.

(d) *Modification of the strategic plan, boundaries of nominated rural areas, and/or period during which designation is in effect.* Subject to the limitations imposed by § 25.100 of this part, USDA may request additional information pertaining to the plan and proposed area and may, as a part of that request, suggest modifications to the plan that would enhance its effectiveness.

(e) *Publication of designations.* Final determination of the boundaries of areas and the term for which the designations will remain in effect will be made by the Secretary. Announcements of those nominated areas designated as Empowerment Zones or Enterprise Communities will be made by publication of a Notice in the Federal Register.

**§ 25.301 Selection factors for designation of nominated rural areas.**

In choosing among nominated rural areas eligible for designation, the Secretary shall consider:

(a) The effectiveness of the strategic plan, in accordance with the key principles set out in § 25.201.

(b) The effectiveness of the assurances made pursuant to § 25.200(a)(2) that the strategic plan will be implemented.

(c) The extent to which an application proposes activities that are creative and innovative.

(d) Such other factors as established by the Secretary, which include the degree of need demonstrated by the nominated area for assistance under this part and the diversity within and among the nominated areas. If other factors are established by USDA, a Federal Register Notice will be published identifying such factors, along with an extension of the application due date if necessary.

**§ 25.302 Number of Rural Empowerment Zones and Enterprise Communities.**

The Secretary may designate up to 3 rural Empowerment Zones and up to thirty rural Enterprise Communities.

**Subpart E—Post-Designation Requirements**

**§ 25.400 Reporting.**

USDA will require periodic reports for the Empowerment Zones and Enterprise Communities designated pursuant to this part. These reports will identify the community, local government and State actions which have been taken in accordance with the strategic plan. In addition to these reports, such other information relating to designated Empowerment Zones and Enterprise Communities as USDA shall request from time to time shall be

submitted promptly. On the basis of this information and of on-site reviews, USDA will prepare and issue periodic reports on the effectiveness of the Empowerment Zones/Enterprise Communities Program.

**§ 25.401 Periodic performance reviews.**

USDA will regularly evaluate the progress in implementing the strategic plan in each designated Empowerment Zone and Enterprise Community on the basis of performance reviews to be conducted on site and using other information submitted. USDA may also commission evaluations of the Empowerment Zone program as a whole by an important third party. Where not prevented by State law, nominating State governments must provide the timely release of data requested by USDA for the purposes of monitoring and assisting the success of Empowerment Zones and Enterprise Communities.

**§ 25.402 Validation of designation.**

(a) *Reevaluation of designations.* On the basis of the performance review described in § 25.401 of this part, and subject to the provisions relating to the revocation of designation appearing at § 25.403 of this part, USDA will make findings as to the continuing eligibility for the validity of the designation of any Empowerment Zone or Enterprise Community. Determinations of whether any designated Empowerment Zone or Enterprise Community remains in good standing shall be promptly communicated to all Federal agencies providing assistance or administering programs under which assistance can be made available in such Zone or Community.

(b) *Modification of designation.* Based on a rural Zone or Community's success in carrying out its strategic plan, and subject to the provisions relating to revocation of designation appearing at § 25.403 of this part and the requirements as to the number, maximum population and other characteristics of rural Empowerment Zones set forth in § 25.100 of this part, the Secretary may modify designations by reclassifying rural Empowerment Zones as Enterprise Communities or Enterprise Communities as Empowerment Zones.

**§ 25.403 Revocation of designation.**

(a) *Basis for revocation.* The Secretary may revoke the designation of a rural area as an Empowerment Zone or

Enterprise Community if the Secretary determines on the basis of the periodic monitoring described in § 25.401 of this part, that the applicant of the State(s) or local government(s) in which the rural area is located:

(1) Has modified the boundaries of the area;

(2) Has failed to make satisfactory progress in achieving the benchmarks set forth in the strategic plan; or

(3) Has not complied substantially with the strategic plan.

(b) *Warning letter.* Before revoking the designation of a rural area as an Empowerment Zone or Enterprise Community, the Secretary will issue a letter of warning to the applicant and the nominating State(s) and local government(s):

(1) Advising that the Secretary has determined that the applicant and/or the nominating local government(s) and/or State(s) has:

(i) modified the boundaries of the area; or

(ii) is not complying substantially with, or has failed to make satisfactory progress in achieving the benchmarks set forth in the strategic plan prepared pursuant to § 25.200(d) of this part; and

(2) Requesting a reply from all involved parties within 90 days of the receipt of this letter of warning.

(c) *Notice of revocation.* After allowing 90 days from the date of receipt of the letter of warning for response, and after making a determination pursuant to paragraph (a) of this section, the Secretary may issue a final notice of revocation of the designation of the rural area as an Empowerment Zone or Enterprise Community.

(d) *Notice to affected Federal agencies.* USDA will notify all affected Federal agencies providing assistance in a rural Empowerment Zone or Enterprise Community of its determination to revoke any designation pursuant to this section or to modify a designation pursuant to § 25.402 of this part.

**Subpart F—Special Rules**

**§ 25.500 Indian reservations.**

No rural Empowerment Zone or Enterprise Community may include any area within an Indian reservation.

**§ 25.501 Governments.**

If more than one State or local government seeks to nominate an area under this part, any reference to or

requirement of this part shall apply to all such governments.

**§ 25.502 Nominations by economic development corporations.**

Any rural area nominated by an economic development corporation chartered by a State and qualified to do business in the state in which it is located, shall be treated as nominated by a State and local governments.

**§ 25.503 Use of census data.**

Population and poverty rate data shall be determined by the 1990 Census Data.

**§ 25.504 Rural areas.**

(a) *What constitutes "rural".* A rural area may consist of any area that lies outside the boundaries of a Metropolitan Area, as designated by the Office of Management and Budget, or, as an area that is primarily rural and has at least 50 percent of the population of the nominated area residing outside of a Metropolitan Area. For the purpose of this section, the 1993 Census Bureau definition of Metropolitan Area is applied.

(b) *Exceptions to the definition.* On a case by case basis, the Secretary will grant requests for waiver from the above definition of "rural" upon a showing of good cause. Applicants seeking to apply for a rural designation who do not satisfy the above subsection, must submit a request for waiver in writing to the Rural Development Administration, Empowerment Zone Office, Department of Agriculture, AG Box 3202, 14th Street and Independence Avenue SW., Washington, DC 20250-3200. Requests must include:

(1) The name, address and daytime phone number of the contact person for the applicant seeking the waiver; and

(2) Sufficient information regarding the area that would support the infrequent exception from the definition.

(c) *The waiver process.* The Secretary, in consultation with the Department of Commerce, will have discretion to permit rural applications for communities that do not meet the above rural criteria.

Dated: January 12, 1994

Bob J. Nash,

Under Secretary, Small Community and Rural Development.

[FR Doc. 94-1147 Filed 1-14-94, 8:45 am]

BILLING CODE 3410-07-M



**DEPARTMENT OF AGRICULTURE****Office of the Secretary**

RIN 0503-AA09

**Notice Inviting Applications for Designation of Rural Empowerment Zones and Enterprise Communities**

AGENCY: Office of the Secretary, USDA.

ACTION: Notice inviting applications.

**SUMMARY:** This Notice invites applications from States and local governments nominating rural areas for designation as Empowerment Zones ("EZ") and Enterprise Communities ("EC"), as those terms are defined in this Notice and in an interim rule published elsewhere in today's Federal Register. The interim rule provides the guidance necessary for completion and submission of the applications.

**DATES:** Application due date: The deadline for receipt of an application will be 4 p.m. Eastern Daylight Savings Time, Thursday, June 30, 1994. Applications received after this date will not be considered. Applications may not be submitted prior to 30 days from the date of publication of the interim rule.

**ADDRESSES:** Applications may be obtained from EZ/EC State Contacts located at the Farmers Home Administration (FmHA) State or District Offices listed in the appendix to this Notice or by sending an Internet Mail message to: [info@ezec.usda.gov](mailto:info@ezec.usda.gov) to obtain the application.

**FOR FURTHER INFORMATION CONTACT:** Beverly C. Gillot, Strategy Development Staff, Rural Development Administration, room 5405, Department of Agriculture, 14th and Independence Avenue SW., Washington, DC 20250-3200, telephone 202-690-1045 (this is not a toll free number), or by sending an Internet Mail message to: [info@ezec.usda.gov](mailto:info@ezec.usda.gov) to obtain information.

**SUPPLEMENTARY INFORMATION:****Paperwork Reduction Act**

The information collection requirements contained in this notice have been submitted to the Office of Management and Budget (OMB) for review under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520). No person may be subjected to a penalty for failure to comply with these information collection requirements until they have been approved and assigned an OMB control number. The OMB control number, when assigned, will be announced by separate notice in the Federal Register.

The burden for collecting the required information is estimated to include the time for reviewing the instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Information on the estimated public reporting burden is provided under the heading, Other Matters. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: Jack Holston, FmHA Clearance Officer, Farmers Home Administration, AG Box 0743, Department of Agriculture, Washington, DC 20250-3200; and the Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for USDA, Washington, DC 20503.

**I. Background**

One of the core items of President Clinton's economic proposals is the need to empower America's distressed rural and urban communities. His Empowerment Zone proposal represents a new approach to the problems of distressed communities. It emphasizes a bottom-up community based strategy rather than the traditional top-down bureaucratic approach. It is a strategy to address economic, human, community, and physical development problems and opportunities in a comprehensive fashion.

Title XIII of the Omnibus Reconciliation Act of 1993, enacted to implement the President's vision, authorizes the Secretary of Department of Agriculture to designate up to three Empowerment Zones and up to 30 Enterprise Communities in rural areas. (Unless otherwise noted, all references in this Notice to Empowerment Zones also include Enterprise Communities.) This Notice invites applications from State and local governments, regional planning agencies, non-profit organizations, community-based organizations, or other locally-based organizations for the Secretarial designations as Empowerment Zones or Enterprise Communities.

The program is intended to combine the resources of the Federal Government with those of State and local governments, educational institutions and the private and non-profit sectors to implement community-developed strategic plans for economic development. The Federal Government has taken steps to coordinate Federal assistance in support of the Zones, including expedited processing, priority funding, and waiver of regulations. To that end, President Clinton has issued

an Executive Order that creates a Community Enterprise Board chaired by Vice President Al Gore to ensure the success of the Empowerment Zone initiative.

**II. Eligibility**

The statute specifies certain criteria that must apply in order for an area to be eligible for Empowerment Zone designation, including geographic size, population, poverty rate by census tract (or by block numbering areas when the community is not delineated by census tracts), pervasive poverty, unemployment, and general distress of the area. The details of these requirements are described in the interim rule governing the program published elsewhere in today's Federal Register.

This information must be provided in the application. USDA will accept certifications of the date by the State and local governments, subject to further verification of the data prior to designation as a Zone.

**III. Designation Factors**

The statute specifies three factors to be considered by the Secretary in designating Empowerment Zones: (1) The effectiveness of the Strategic Plan; (2) the effectiveness of the assurances provided in support of the Strategic Plan; and (3) other criteria to be specified by the Secretary. Each of these factors is discussed in greater detail in the Interim rule (The Strategic Plan is described in the interim rule at 7 CFR 25.200(c)).

**IV. Timing and Location of Application Submissions**

Applications may be obtained from any FmHA State Office and from Rural EZ/EC State Contacts (see Appendix A) or by sending an Internet Mail message to: [info@ezec.usda.gov](mailto:info@ezec.usda.gov). An application may be submitted 30 days from the date of publication of the interim rule, which governs the Empowerment Zone program. The deadline for receipt of the application will be 4 p.m. Eastern Daylight Savings Time, Thursday, June 30, 1994. Applications received after that date and time will not be accepted, and will be returned to the sender. As the applications require certifications from the State and local governments, we cannot accept applications sent by FAX or through the Internet system. The original application and one (1) copy should be sent to: US Department of Agriculture, Rural Development Administration, EZ/EC Team, room 5405, 14th Street and Independence Avenue SW., Washington, DC 20250-3200.

Applicants will be notified of an incomplete application. Provided that the application is received at the above address with sufficient time before the deadline, applicant will be given an opportunity to provide the missing information to USDA.

#### V. Notice of Intent to Apply

Applicants should fill out and mail a Notice of Intent to Apply. The form of notice is located at the end of the Empowerment Zone Application (see Appendix B), or may be obtained by sending an Internet Mail message to: [info@ezec.usda.gov](mailto:info@ezec.usda.gov) to obtain the notice. Applicants may wish to submit the form in order to be placed on the Empowerment Zone and Enterprise Community mailing list. While the notice is not mandatory for participation in the program, USDA encourages the submission of the notice as it will permit the Department to provide applicants with updated information on program requirements as well as information on technical assistance.

#### VI. Miscellaneous

Empowerment Zone designation does not constitute a Federal action for provisions of the Uniform Relocation Act. However, any activity constituting a Federal action that may result from such a designation may be subject to the provision of this Act, as well as any other statutory or regulatory provisions governing the particular Federal action.

#### VII. Other Matters

##### *Paperwork Reduction Act*

The information collection requirements contained in this Notice have been submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520). No person may be subjected to a penalty for failure to comply with these information collection requirements until they have been approved and assigned an OMB control number. The OMB control number, when assigned, will be announced by separate notice in the **Federal Register**. Information on the estimated public reporting burden is provided in the preamble of the interim rule implementing this program (7 CFR part 25) published elsewhere in today's **Federal Register**.

Dated January 12, 1994

Bob J. Nash.

Under Secretary, Small Community and Rural Development

Appendix A. EZEC State Contacts

#### *Alabama*

Richard Jones, FmHA State Office, 4121 Carmichael Road, Suite 601, Montgomery AL 36106-3683, Ph. 205-279-3400, Fax 205-279-3484

#### *Alaska*

Darwin Belts, FmHA State Office, 634 S. Bailey, Suite 103, Palmer AK 99645, Ph. 907-745-2176, Fax 907-745-5398

#### *Arkansas*

Shirley Tucker, FmHA State Office, 700 W. Capitol St., P.O. Box 2778, Little Rock AR 72203, Ph. 501-324-6281, Fax: 501-324-6346

#### *Arizona*

Clark Dierks, FmHA State Office, 3003 N. Central Ave., Suite 900, Phoenix AZ 85012, Ph. 602-280-8700, Fax: 602-280-8770

#### *California*

Paula Galvan, FmHA State Office, 194 West Main Street, Suite F, Woodland CA 95695-2915, Ph. 916-668-2000, Fax: 916-668-2055

#### *Colorado*

Judy Jacklich, 655 Parfet Street, Room E 100, Lakewood CO 80215, Ph. 303-236-2806, Fax: 303-236-2854

#### *Delaware*

James Waters, 4611 So Dupont Highway, PO Box 400, Camden DE 19934-9998, Ph. 302-697-4324, Fax: 302-697-4388

#### *Florida*

Jeanie Graham, 4440 N.W. 25th Pl., Gainesville FL 32614-7010, Ph. 904-338-3400, Fax: 904-338-3405

#### *Georgia*

Eugene Carr, 355 E. Hancock Ave., Stephens Federal Bldg., Athens GA 30610, Ph. 706-546-2165, Fax: 706-546-2152

#### *Hawaii*

Ted Matsuo, 154 Waiuanuenue Ave. Federal Building Rm 311, Hilo HI 89701, Ph. 808-933-3009, Fax: 808-935-1590

#### *Idaho*

Larry Spindler, 3232 Elder St., Boise ID 83705, Ph. 208-334-1836, Fax: 208-334-1712

#### *Illinois*

Charles Specht, 1817 S Neil Street, Suite 103, Champaign IL 61820, Ph. 217-398-5235, Fax: 217-398-5337

#### *Indiana*

Joseph Steele, 5975 Lakeside Blvd., Indianapolis IN 46278, Ph. 317-290-3109, Fax: 317-290-3127

#### *Iowa*

Dorman Otte, 210 Walnut Street, Federal Bldg Rm 873, Des Moines IA 50309, Ph. 515-284-4152, Fax: 515-284-4859

#### *Kansas*

William Kirk, 1200 SW Executive Dr., P.O. Box 4653, Topeka KS 66604, Ph. 913-271-2708, Fax: 913-271-2700

#### *Kentucky*

Robert Letton, FmHA State Office, 771 Corporate Plaza, Suite 200, Lexington KY 40503, Ph. 606-224-7336, Fax: 606-224-7340

#### *Louisiana*

Michael Taylor, RDA Delta Region, 1221 Washington Street, Vicksburg, MS 39180, Ph. 601-631-3920, Fax: 601-631-3931

#### *Maine*

Daniel E. McAllister, Jr., FmHA State Office, 444 Stillwater Avenue, Suite 2, P.O. Box 405, Bangor ME 04402-0405, Ph. 207-990-9125, Fax: 207-990-9170

#### *Massachusetts*

Craig L. Dore, FmHA State Office, 451 West Street, Amherst MA 01002, Ph. 413-253-4340, Fax: 413-253-4347

#### *Michigan*

James Trumbell, FmHA State Office, 3001 Coolidge Road, Suite 200, East Lansing MI 48823, Ph. 517-337-6635, Fax: 517-337-6913

#### *Minnesota*

Deborah Shipke, FmHA State Office, 410 Farm Credit Services Bldg, 375 Jackson Street, St. Paul MN 55101-1853, Ph. 612-290-3866, Fax: 612-290-3834

#### *Mississippi*

Jane Jones, FmHA State Office, Suite 831, Federal Bldg, 100 W Capital St., Jackson MS 39269, Ph. 601-965-5460, Fax: 601-965-5384

#### *Mississippi (2)*

Betty Oliver, RDA Delta Region, FmHA State Office, Suite 831, Federal Building, 100 W Capital Street, Jackson MS 39269, Ph. 601-965-4318, Fax: 601-965-5384

#### *Missouri*

Eldrid "Pete" Easterhaus, FmHA State Office, 601 Business Loop, 70W Parkade Cr. Ste 235, Columbia MO 65203, Ph. 314-876-0995, Fax: 314-876-0977

#### *Montana*

Mitchel Copp, FmHA State Office, 900 Technology Blvd., Suite B, P.O. Box 850, Bozeman MT 59771, Ph. 406-585-2520, Fax: 406-585-2565

#### *Nebraska*

Richard L. Bolte, FmHA State Office, Federal Building, Rm 308, 100 Centennial Mall N., Lincoln NE 68508, Ph. 402-437-5556, Fax: 402-437-5408

#### *New Jersey*

Mike P. Kelsey, FmHA State Office, Tarnfield Plaza #22, Woodlane Road, Mt Holly NJ 08060, Ph. 609-265-3640, Fax: 609-265-3651

#### *New Mexico*

Bill Culbertson, FmHA State Office, Plaza del Comercio, 1570 Pacheco St. B, Santa Fe NM 87501, Ph. 505-984-8084, Fax: 505-984-8078



**New York**

Lowell J. Gibson, FmHA State Office, James M. Hanley Fed. Bldg. Room 871, PO Box 7318, Syracuse NY 13261-7318, Ph. 315-423-5298, Fax: 315-423-5722

**North Carolina**

Debra Nesbitt, FmHA State Office, 4405 Bland Rd., Suite 260, Raleigh NC 27609, Ph. 919-790-2731, Fax: 919-790-2738

**North Dakota**

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**Ohio**

Allen L. Turnbull, FmHA State Office, Federal Building Rm 740, 200 North High Street, Columbus OH 43215, Ph. 614-469-5400, Fax: 614-469-5802

**Oklahoma**

Christie Woolsey, FmHA State Office, 100 USDA, Suite 108, Stillwater OK 74074-2654, Ph: 405-624-4250, Fax: 405-624-4278

**Oregon**

Jerry W. Shendan, FmHA State Office, Federal Bldg., Rm 1590, 1220 S.W. 3rd Ave., Portland OR 97204, Ph. 503-326-2735, Fax: 503-326-5898

**Pennsylvania**

Duane Tuttle, FmHA State Office, 1 Credit Union Pl., Room 330, Harrisburg PA 17110-2996, Ph. 717-782-4477, Fax: 717-782-4878

**South Carolina**

R. Gregg White, RDA Southeast Region, 280 Beaufort Street, NE, Aiken SC 29801, Ph: 803-643-4214, Fax: 803-643-4245

**South Dakota**

Robert Bothwell, FmHA State Office, Federal Building, Rm 308, 200 Fourth Street, S.W., Huron SD 57350, Ph: 605-353-1474, Fax: 605-353-1220

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**Vermont**

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**Virginia**

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**Washington**

Mary McBride, P.O. Box 2466, Olympia WA 98507, Ph: 206-534-9314, Fax: 206-753-8082

**Wisconsin**

David Gibson, FmHA State Office, 4949 Kirschling Ct., Stevens Point WI 54481, Ph: 715-341-0023, Fax: 715-345-7669

**West Virginia**

Jenny Phillips, FmHA State Office, 75 High Street, Morgantown WV 26505-7500, Ph: 304-291-4791, Fax: 304-291-4032

**Wyoming**

Edward E. Chase, FmHA State Office, P.O. Box 820, Casper WY 82602, Ph: 307-261-5144, Fax: 307-261-5187

BILLING CODE 3418-01-M

Appendix B: Form of Notice of IntentNotice of Intent  
to ParticipateEmpowerment Zone or  
Enterprise Community

This is notification to the

☐ Department of Housing and Urban Development (for urban)  
Office of Planning and Development, CEE  
Processing and Control Unit, Room 7255  
451 7th Street, S.W.  
Washington, D.C. 20410or ☐ Department of Agriculture (for rural)  
Rural Development Administration  
EZ/EC Team, Ag Box 3202  
14th & Independence Avenue, S.W.  
Washington, D.C. 20250-3200

Name &amp; Address of Participating Entity:

that the entity named here  
intends to participate in the  
nomination of an Empowerment Zone  
or Enterprise Community

Contact &amp; Phone No.

Check here if you are a ☐ Nominating Entity

## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Community Planning and Development

24 CFR Part 597

(Docket No. R-04-1702; FR-3580-I-01)

RIN 2506-AB65

## Designation of Empowerment Zones and Enterprise Communities

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Interim rule.

**SUMMARY:** This interim rule implements that portion of subchapter C, part I (Empowerment Zones, Enterprise Communities and Rural Development Investment Areas) of title XIII of the Omnibus Budget Reconciliation Act of 1993 (Pub. L. 103-66, approved August 10, 1993) dealing with the designation of urban Empowerment Zones and Enterprise Communities. This rule authorizes the Secretary of Housing and Urban Development (HUD) to designate not more than six urban Empowerment Zones and not more than 65 urban Enterprise Communities based upon the effectiveness of the strategic plan submitted by a State or States and local government(s) nominating an area for designation.

The purpose of this program is to empower American communities and their residents to create jobs and opportunity, take effective action to solve difficult and pressing economic, human, community and physical development challenges of today, and to build for tomorrow as part of a Federal-State-local and private-sector partnership. Businesses are to be encouraged to invest in distressed areas, thereby creating jobs, and comprehensive local strategic plans are to be adopted and implemented, furthering community development and assisting in the revitalization of these areas.

**DATES:** Effective date: February 17, 1994, through January 18, 1995. Comment due date: February 17, 1994.

**ADDRESSES:** Interested persons are invited to submit comments regarding this interim rule to the Office of General Counsel, Rules Docket Clerk, room 10276, Department of Housing and Urban Development, 451 Seventh St. SW., Washington, DC 20410-0500. Comments by facsimile (FAX) are not acceptable. Communications should refer to the above docket number and

title. A copy of each communication submitted will be available for public inspection and copying during regular business hours at the above address.

**FOR FURTHER INFORMATION CONTACT:** Michael T. Savage, Deputy Director, Office of Economic Development, room 7136, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, DC 20410, telephone (202) 708-2290; TDD (202) 708-2565. (These are not toll-free numbers.)

**SUPPLEMENTARY INFORMATION:****Paperwork Reduction Act**

The information collection requirements contained in this rule were submitted to the Office of Management and Budget (OMB) for review under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520), approved, and assigned OMB Control Number 2506-0148.

**I. Background**

The Empowerment Zones program is a key step in rebuilding communities in America's poverty-stricken inner cities and rural heartland. It is designed to empower people and communities across the nation in developing and implementing strategic plans to create job opportunities and sustainable community development. The program combines tax benefits with substantial investment of Federal resources and enhanced coordination among Federal agencies. All communities which complete the nomination process will be strengthened by it, whether or not they are selected as Empowerment Zones or Enterprise Communities, as the Federal Government will work with applicants to overcome programmatic regulations and statutory impediments to encourage more effective economic, physical, environmental and community development activities.

All communities will gain by taking stock of their assets and problems, by creating a vision of a better future, and by structuring a plan for achieving it. Local partnerships among community residents, businesses, financial institutions, service providers, neighborhood associations and State and local governments can be formed or strengthened to support a plan for change by going through the application process. Communities will be afforded an opportunity to work with these new partners in the creation and implementation of a community-based strategic plan. Community Development Corporations nominated by the locality will be considered eligible for designation to receive tax preferred

contributions from donors.

Communities with innovative visions for change will be considered for requested waivers of Federal program regulations, flexible use of existing program funds, and cooperation in meeting essential mandates, even if they do not receive a designation. Communities may apply comprehensive strategic planning to their entire community anticipating proposed consolidation of planning requirements for four major formula grant programs administered by the Office of Community Planning and Development in HUD.

Enterprise Communities are eligible for new Tax-Exempt Facilities Bonds for certain private business activities. States with designated Enterprise Communities will receive approximately \$3 million in Empowerment Zone/Enterprise Community Social Service Block Grant funds to pass through to each designated area for approved activities identified in their strategic plans. Enterprise Communities will receive special consideration in competition for funding under numerous Federal programs, including the new National Service and proposed Community Policing initiatives. The Federal Government will focus special attention on working cooperatively with designated Enterprise Communities to overcome regulatory impediments, to permit flexible use of existing Federal funds, and to assist these Communities in meeting essential mandates.

Empowerment Zones will receive all the benefits provided to Enterprise Communities and other communities with innovative visions for change. Empowerment Zones are awarded substantial Empowerment Zone/Enterprise Community Social Service Block Grant funds, in the amount of \$100 million for each urban Zone. An Employer Wage Credit for Zone residents is extended to qualified employers engaged in trade or business. In designated Empowerment Zones, businesses are afforded an increased deduction under section 179 of the Internal Revenue Code for qualified properties.

The urban part of the program will be administered by HUD as a Federal-State-local partnership, with a minimum of red tape associated with the application process. Communities must demonstrate the ability to design and implement an effective strategic plan for real opportunities for growth and revitalization, that deal with local problems in a comprehensive way and must demonstrate the capacity to carry out these plans. Development of an

effective plan must also involve the participation of the community affected by the nomination of the urban area, and of the private sector, acting in concert with the nominating entities. The plan should be developed in accordance with four key principles, which will serve as the basis for the key selection criteria that will be used to evaluate the plan. These principles are:

(1) Economic Opportunity, including job creation within the community and throughout the region, as well as entrepreneurial initiatives, small business expansion, and training for jobs that offer upward mobility;

(2) Sustainable Community Development, to advance the creation of liveable and vibrant communities through comprehensive approaches that coordinate economic, physical, environmental, community and human development;

(3) Community-Based Partnerships, involving participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning and other community institutions; and

(4) Strategic Vision for Change, which identifies what the community will become and a strategic map for revitalization. The vision should build on assets and coordinate a response to community needs in a comprehensive fashion. It should also set goals and performance benchmarks for measuring progress and establish a framework for evaluating and adjusting the revitalization plan.

State and local governments may nominate distressed urban areas for designation as Empowerment Zones (which will also permit their consideration for designation as Enterprise Communities), or solely for designation as Enterprise Communities.

Title XIII of the Omnibus Budget Reconciliation Act of 1993 included Empowerment Zones and Enterprise Communities as a new program.

## II. Program Description

### General

Pursuant to title XIII of the Omnibus Budget Reconciliation Act of 1993, the Secretary of HUD may designate up to six urban Empowerment Zones and up to 65 urban Enterprise Communities. If six Empowerment Zones are designated in urban areas, no less than one shall be designated in an urban area the most populous city of which has a population of 500,000 or less and no less than one shall be a nominated area which

includes areas in two States and which Zone has a population of 50,000 or less. The Secretary of HUD will designate Empowerment Zones in urban areas in such a manner that the aggregate population of all such Zones does not exceed 750,000.

### Eligibility

To be eligible for designation as an urban Empowerment Zone or Enterprise Community the statute prescribes that an area must:

- (1) Have a maximum population which is the lesser of:
  - (a) 200,000, or
  - (b) The greater of 50,000, or ten percent of the population of the most populous city located within the nominated area;
- (2) Be one of pervasive poverty, unemployment, and general distress;
- (3) Not exceed twenty square miles in total land area;
- (4) Demonstrate a poverty rate which is not less than:
  - (a) 20 percent in each census tract;
  - (b) 25 percent in 90 percent of the population census tracts within the nominated area;
  - (c) 35 percent for at least 50 percent of the population census tracts within the nominated area;
- (5) Have a continuous boundary, or consist of not more than three noncontiguous parcels;
- (6) Be located entirely within the jurisdiction of the unit or units of general local government making the nomination, and not be located in more than two contiguous States; and
- (7) Not include any portion of a central business district unless the poverty rate for each population tract containing portions of the central business district is at least 35 percent for an Empowerment Zone and 30 percent for an Enterprise Community.

### Nomination Process

The law provides that one or more local governments and the State(s) in which a nominated urban area is located may jointly nominate the area for designation if:

- (1) The area meets the eligibility requirements set forth in these rules;
- (2) The urban area is within the jurisdiction of the local government(s) and the State(s);
- (3) The local government(s) and State(s) provide assurances that the required strategic plan they adopt will be implemented;
- (4) All information furnished by the nominating local government(s) and State(s) is determined by the Secretary of HUD to be reasonably accurate;
- (5) The local government(s) and State(s) certify that no portion of a

nominated urban area is already in a Federal Empowerment Zone or Enterprise Community or in an area otherwise nominated for designation; and

(6) The local government(s) and State(s) certify that they possess the legal authority to make the nomination.

The nomination must be accompanied by an application for designation, including a strategic plan, which:

(1) Indicates and briefly describes the specific groups, organizations and individuals participating in the production of the plan, and describes the history of these groups organizations in the community;

(2) Explains how participants were selected and provides evidence that the participants, taken as a whole, broadly represent the racial, cultural and economic diversity of the community;

(3) Describes the role of the participants in the creation, development and future implementation of the plan;

(4) Identifies two or three topics addressed in the plan that caused the most serious disagreements among participants and describes how those disagreements were resolved;

(5) Explains how the community participated in choosing the area to be nominated and why the area was nominated;

(6) Provides evidence that key participants have the capacity to implement the plan;

(7) Provides a brief explanation of the community's vision for revitalizing the area;

(8) Explains how the vision fulfills the key principles of creating economic opportunity, encouraging self-sufficiency and promoting sustainable community development;

(9) Identifies key needs of the area and the current barriers to achieving the vision for it, including a description of poverty and general distress, barriers to economic opportunity and development and barriers to human development;

(10) Discusses how the vision is related to the assets and needs of the area and its surroundings;

(11) Describes the ways in which the community's approaches to economic development, social/human services, transportation, housing, sustainable community development, public safety, drug abuse prevention, and educational and environmental concerns will be addressed in a coordinated fashion; and explains how these linkages support the community's vision.

The strategic plan must identify how government resources will be used to support the plan. Specifically, the plan must indicate:

(1) How Social Service Block Grant funds for designated Zones and Communities, tax benefits for designated Zones and Communities, State and local resources, existing Federal resources available to the locality and additional Federal resources believed necessary to implement the strategic plan will be utilized within the Empowerment Zone or Enterprise Community;

(2) The level of commitment necessary to assure that these resources will be available to the area upon designation; and

(3) The Federal resources being applied for or for which applications are planned; and

(4) If you wish to be considered for the consolidated planning option, indicate how the strategic plan will apply to the entire locality and how the locality will spend CDBG and HOME funds.

The plan must identify private resources committed to its implementation, including:

(1) Private resources and support, including assistance from business, non-profit organizations and foundations, which are available to be leveraged with public resources; and

(2) Assurances that these resources will be made available to the area upon designation.

The plan must address changes needed in Federal rules and regulations necessary to implement the plan, including:

(1) Specific paperwork or other Federal program requirements that need to be altered to permit effective implementation of the strategic plan; and

(2) Specific regulatory and other impediments to implementing the strategic plan for which waivers are requested, with appropriate citations and an indication whether waivers can be accomplished administratively or require statutory changes.

The plan must demonstrate how State and local governments will reinvent themselves to help implement the plan, by:

(1) Identifying the changes that will be made in State and local

organizations, processes and procedures, including laws and ordinances, to facilitate implementation of the plan; and

(2) Explaining how different agencies in State and local governments will work together in new responsive ways to implement the strategic plan.

The plan must provide details about the manner in which it will be implemented, and must indicate what benchmarks will be used to measure progress, by:

(1) Identifying the specific tasks necessary to implement the plan;

(2) Describing the partnerships that will be established to carry out the plan;

(3) Explaining how the strategic plans will be regularly revised to reflect new information and opportunities; and

(4) Identifying the benchmarks and goals that should be used in evaluating performance in implementing the plan.

### III. Justification for Interim Rule

In general, the Department publishes a rule for public comment before issuing a rule for effect, in accordance with its own regulations on rulemaking at 24 CFR part 10. However, part 10 provides for exceptions from that general rule where the Department finds good cause to omit advance notice and public participation. The good cause requirement is satisfied when prior public comment is "impracticable, unnecessary, or contrary to the public interest" (24 CFR 10.1). The Department finds that good cause exists to publish this rule for effect without first soliciting public comment, in that prior public comment would be contrary to the public interest. Section 1391(c) of the legislation requires that designations be made only after 1993 and before 1996. Given the statutory mandate to make all designations within a two-year period, the extra time required to publish a proposed rule for a 60-day comment period before development of a final rule for effect would be contrary to congressional intent and the purpose of the legislation. The longer time period would unduly postpone an economic recovery for those communities and their residents for which this program is intended.

Further, the Department finds that good cause exists in that prior public comment is unnecessary because the legislation being implemented by this rule is very prescriptive, with little room for discretion on the part of the Secretary.

The Department is interested, however, in the public reaction to the rule, and invites the public to comment. Since section 7(o) of the Department of Housing and Urban Development Act provides that no rule promulgated by the Department may become effective until 30 days after publication, and since section 1391(c) of the authorizing legislation requires that designations be made within a two-year period, the Department is limiting the comment period to 30 days to permit adequate time for review of public comments and development of a final rule.

The Department has adopted a policy of setting a date for expiration of an interim rule unless a final rule is published before that date. This "sunset" provision appears in § 597.1(c) of the rule, and provides that the rule will expire on a date 12 months from publication unless a final rule is published before that date.

### IV. Notice

HUD is simultaneously publishing in today's Federal Register a Notice Inviting Applications that contains complete information on obtaining and submitting applications for nominating areas as Empowerment Zones and Enterprise Communities.

### V. Other Matters

#### Paperwork Reduction Act

The information collection requirements contained in this rule were submitted to the Office of Management and Budget (OMB) for review under the provisions of the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520), were approved, and assigned OMB Control Number 2506-0148. The following provisions of the rule have been determined by the Department to contain collection of information requirements:

Reference in rule	No. of respondents	No. of responses per respondent	Total annual responses	Hours per response	Total hours
§ 597.200	300	1	300	50	15,000
§ 597.400	71	1	71	18	1,136
Total annual burden					16,136

**Notional Environmental Policy Act**

A Finding of No Significant Impact with respect to the environment has been made in accordance with HUD regulations in 24 CFR part 50, which implement section 102(c) of the National Environmental Policy Act of 1969, 42 U.S.C. 4332. The Finding of No Significant Impact is available for public inspection and copying during regular business hours in the Office of the Rules Docket Clerk, room 10278, 451 Seventh Street SW., Washington, DC 20410.

**Executive Order 12866, Regulatory Planning and Review**

This rule was reviewed and approved by the Office of Management and Review as a significant rule, as that term is defined in Executive Order 12866, which was signed by the President on September 30, 1993. Any changes to the rule as a result of that review are contained in the public file of the rule in the office of the Department's Rules Docket Clerk.

**Regulatory Flexibility Act**

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that the rule will not have a significant economic impact on a substantial number of small entities within the intent and purpose of that Act. The Act is intended to encourage Federal agencies to utilize innovative administrative procedures in dealing with individuals, small businesses, small organizations, and small governmental bodies that would otherwise be unnecessarily adversely affected by Federal regulations. To the extent that this rule effects those entities, its purpose is to reduce any disproportionate burden by providing for the waiver of regulations and by affording other incentives directed toward a positive economic impact. Therefore, no regulatory flexibility analysis under the Act is necessary.

**Executive Order 12611, Federalism**

The General Counsel, as the Designated Official under section 6(e) of Executive Order 12611, Federalism, has determined that, although the policies contained in this rule may have a substantial direct effect on States or their political subdivisions that are designated as Empowerment Zones or Enterprise Communities, this effect is intended by the legislation authorizing the program. The purpose of the rule is to provide a cooperative atmosphere between the Federal government and States and local governments, and to reduce any regulatory burden imposed

by the Federal government that impedes the ability of States and local governments to solve pressing economic, social, and physical problems in their communities.

**Executive Order 12606, The Family**

The General Counsel, as the Designated Official under Executive Order 12606, The Family, has determined that the provisions of this rule will not have a significant impact on family formation, maintenance or well being, except to the extent that the program authorized by the rule will empower communities and their residents to take effective action to solve difficult and pressing economic, human, community and physical development challenges that have a negative impact on families. Any such impact is beneficial and merits no further review under the Order.

**Semiannual Agenda**

This rule was not listed in the Department's semiannual agenda of regulations published on October 25, 1993 (58 FR 56402) under Executive Order 12291 and the Regulatory Flexibility Act at 49 FR 15960. A summary of the rule, however, was listed on a supplemental agenda, submitted to the applicable House and Senate Committees after publication of the October 25, 1993 agenda.

**List of Subjects in 24 CFR Part 597**

Community development, Empowerment zones, Enterprise communities, Economic development, Housing, Indians, Intergovernmental relations, Reporting and recordkeeping requirements, Urban renewal.

In accordance with the reasons set out in the preamble, chapter V of title 24 of the Code of Federal Regulations is amended by adding part 597 to read as follows:

**PART 597—URBAN EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES****Subpart A—General Provisions**

- Sec.
- 597.1 Applicability and scope.
- 597.2 Objective and purpose.
- 597.3 Definitions.
- 597.4 Secretarial review and designation.
- 597.5 Waivers.

**Subpart B—Area Requirements**

- 597.100 Eligibility requirements and data usage.
- 597.101 Data utilized for eligibility determinations.
- 597.102 Tests of pervasive poverty, unemployment and general distress.
- 597.103 Poverty rate.

**Subpart C—Nomination Procedure**

- 597.200 Nominations by State and local governments.
- 597.201 Evaluating the strategic plan.
- 597.202 Submission of nominations for designation.

**Subpart D—Designation Process**

- 597.300 HUD action and review of nominations for designation.
- 597.301 Selection factors for designation of nominated urban areas.
- 597.302 Number of Empowerment Zones and Enterprise Communities designated.

**Subpart E—Post-Designation Requirements**

- 597.400 Reporting.
- 597.401 Periodic performance reviews.
- 597.402 Validation of designation.
- 597.403 Revocation of designation.

**Subpart F—Special Rules**

- 597.500 Indian reservations.
  - 597.501 Governments.
  - 597.502 Nominations by economic development corporations or the District of Columbia.
  - 597.503 Use of census data.
- Authority: 25 U.S.C. 1391; 42 U.S.C. 3535(d).

**Subpart A—General Provisions****§ 597.1 Applicability and scope.**

(a) This part establishes policies and procedures applicable to urban Empowerment Zones and Enterprise Communities, authorized under subchapter U of the Internal Revenue Code of 1986, as amended, relating to the designation and treatment of Empowerment Zones, Enterprise Communities and Rural Development Investment Areas.

(b) This part contains provisions relating to area requirements, the nomination process for urban Empowerment Zones and urban Enterprise Communities, and the designation and administration of these Zones and Communities by HUD. Provisions dealing with the nomination and designation of rural Empowerment Zones and Enterprise Communities will be promulgated by the Department of Agriculture. HUD and the Department of Agriculture will consult in all cases in which nominated areas possess both urban and rural characteristics, and will utilize a flexible approach in determining the appropriate designation.

(c) *Expiration of rule.* Part 597 will expire on January 18, 1995.

**§ 597.2 Objective and purpose.**

The purpose of this part is to provide for the establishment of Empowerment Zones and Enterprise Communities in urban areas, to stimulate the creation of new jobs, particularly for the disadvantaged and long-term

unemployed, and to promote revitalization of economically distressed areas.

#### § 597.3 Definitions.

*Designation* means the process by which the Secretary designates urban areas as Empowerment Zones or Enterprise Communities eligible for tax incentives and credits established by Subchapter U of the Internal Revenue Code of 1986, as amended (26 U.S.C. 1391 et seq.) and for special consideration for programs of Federal assistance.

*Empowerment Zone* means an urban area so designated by the Secretary pursuant to this part. Up to six such Zones may be designated, provided, that if the Secretary designates the maximum number of zones, not less than one shall be in a nominated urban area the most populous city of which has a population of 500,000 or less; and no less than one shall be a nominated urban area which includes areas in two States and which has an area population of 50,000 or less.

*Enterprise Community* means an urban area so designated by the Secretary pursuant to this part. Not more than 65 such communities may be so designated.

*HUD* means the Department of Housing and Urban Development.

*Local government* means any county, city, town, township, parish, village, or other general purpose political subdivision of a State, and any combination of these political subdivisions which is recognized by the Secretary.

*Nominated area* means an area nominated by one or more local governments and the State or States in which it is located for designation pursuant to this part.

*Population census tract* means a census tract, or, if census tracts are not defined for the area, a block numbering area.

*Poverty* means the number of persons listed as being in poverty in the 1990 Decennial Census.

*Revocation of designation* means the process by which the Secretary may revoke the designation of an urban area as an Empowerment Zone or Enterprise Community pursuant to § 597.403 of this part.

*Secretary* means the Secretary of Housing and Urban Development.

*State* means any State of the United States.

*Strategic plan* means a strategy developed and agreed to by the nominating local government(s) and State(s), which have provided certifications of their authority to adopt such a strategy in their application for

nomination, in consultation and cooperation with the residents of the nominated area, pursuant to the provisions of § 597.200(c) of this part. The plan must include written commitments from the local government(s) and State(s) that they will adhere to that strategy.

*Urban area* means:

(1) Any area that lies inside a Metropolitan Area (MA), as designated by the Office of Management and Budget; or

(2) Any area outside an MA if the nominating local government has a population of 20,000 or more, or documents the urban character of the area.

#### § 597.4 Secretarial review and designation.

(a) *Designation.* The Secretary will review applications for the designation of nominated urban areas to determine the effectiveness of the strategic plans submitted by nominating State and local government(s) in accordance with § 597.200(c) of this part. The Secretary will designate up to six urban Empowerment Zones and up to 65 urban Enterprise Communities.

(b) *Period of designation.* The designation of an urban area as an Empowerment Zone or Enterprise Community shall remain in full effect during the period beginning on the date of designation and ending on the earliest of:

(1) The close of the tenth calendar year beginning on or after the date of designation;

(2) The termination date designated by the State and local governments in their application for nomination; or

(3) The date the Secretary modifies or revokes the designation, in accordance with § 597.402 or § 597.403 of this part.

#### § 597.5 Waivers.

The Secretary of HUD may waive for good cause any provision of this part not required by statute, where it is determined that application of the requirement would produce a result adverse to the purpose and objectives of this part.

#### Subpart B—Area Requirements

##### § 597.100 Eligibility requirements and data usage.

A nominated urban area may be eligible for designation pursuant to this part only if the area:

(a) Has a maximum population which is the lesser of:

(1) 200,000, or

(2) The greater of 50,000 or ten percent of the population of the most populous city located within the nominated area.

(b) Is one of pervasive poverty, unemployment and general distress, as described in § 597.102 of this part;

(c) Does not exceed twenty square miles in total land area;

(d) Has a continuous boundary, or consists of not more than three noncontiguous parcels;

(e) Is located entirely within the jurisdiction of the unit or units of general local government making the nomination, and is located in no more than two contiguous States; and

(f) Does not include any portion of a central business district, as this term is used in the most recent Census of Retail Trade, unless the poverty rate for each population census tract in the district is not less than 35 percent for an Empowerment Zone and 30 percent for an Enterprise Community.

##### § 597.101 Data utilized for eligibility determinations.

(a) *Source of data.* The data to be employed in determining eligibility pursuant to the criteria set forth at § 597.102 shall be based upon the 1990 Decennial Census, and from information published by the Bureau of the Census and the Bureau of Labor Statistics. The data shall be comparable as to point or period of time and methodology employed. Specific information on appropriate data to be submitted will be provided in the application.

(b) *Use of statistics on boundaries.* The boundary of an urban area nominated for designation as an Empowerment Zone or Enterprise Community must coincide with the boundaries of census tracts, or, where tracts are not defined, with block numbering areas.

##### § 597.102 Tests of pervasive poverty, unemployment and general distress.

(a) *Pervasive poverty.* Pervasive poverty shall be demonstrated by the nominating entities by providing evidence that:

(1) Poverty is widespread throughout the nominated area; or

(2) Poverty has become entrenched or intractable over time (through comparison of 1980 and 1990 census data or other relevant evidence); or

(3) That no portion of the nominated area contains any component areas of an affluent character.

(b) *Unemployment.* Unemployment shall be demonstrated by:

(1) Data indicating that the weighted average rate of unemployment for the nominated area is not less than the national average rate of unemployment; or

(2) Evidence of especially severe economic conditions, such as military

base or plant closings or other conditions which have brought about significant job dislocation within the nominated area.

(c) *General distress.* General distress shall be evidenced by describing adverse conditions within the nominated urban area other than those of pervasive poverty and unemployment. A high incidence of crime, narcotics use, homelessness, abandoned housing, and deteriorated infrastructure or substantial population decline, are examples of appropriate indicators of general distress.

#### § 597.103 Poverty rate.

(e) *General.* The poverty rate shall be established in accordance with the following criteria:

(1) In each census tract within a nominated urban area, the poverty rate shall be not less than 20 percent;

(2) For at least 90 percent of the population census tracts within the nominated urban area, the poverty rate shall not be less than 25 percent; and

(3) For at least 50 percent of the population census tracts within the nominated urban area, the poverty rate shall not be less than 35 percent.

(b) *Special rules relating to the determination of poverty rate.* (1) *Census tracts with no population.* Census tracts with no population shall be treated as having a poverty rate which meets the standards of paragraphs (e)(1) and (2) of this section, but shall be treated as having a zero poverty rate for purposes of applying paragraph (e)(3) of this section.

(2) *Census tracts with populations of less than 2,000.* A population census tract which has a population of less than 2,000 shall be treated as having a poverty rate which meets the requirements of paragraphs (e)(1) and (e)(2) of this section if more than 75 percent of the tract is zoned for commercial or industrial use.

(3) *Adjustment of poverty rates for Enterprise Communities.* Where necessary to carry out the purposes of this part, the Secretary may reduce by 5 percentage points one of the following thresholds for not more than 10 percent of the census tracts, or, if fewer, five population tracts in the nominated urban area:

(i) The 20 percent threshold in paragraph (a)(1) of this section;

(ii) The 25 percent threshold in paragraph (a)(2) of this section; and

(iii) The 35 percent threshold in paragraph (a)(3) of this section;

Provided that, the Secretary may in the alternative reduce the 35 percent threshold by 10 percentage points for three population census tracts.

(4) *Rounding up of percentages.* In making the calculations required by this section, the Secretary shall round all fractional percentages of one-half percent or more up to the next highest whole percentage figure.

(c) *Noncontiguous areas.* A nominated urban area may not contain a noncontiguous parcel unless such parcel separately meets the criteria set forth at paragraphs (e) (1), (2), and (3) of this section.

(d) *Areas not within census tracts.* In the case of an area which does not have population census tracts, the block numbering area shall be used.

#### Subpart C—Nomination Procedure

##### § 597.200 Nominations by State and local governments.

(a) *Nomination criteria.* One or more local governments and the State or States in which an urban area is located may nominate such area for designation as an Empowerment Zone and/or as an Enterprise Community, if:

(1) The urban area meets the requirements for eligibility set forth in §§ 597.100 and 597.103 of this part;

(2) The urban area is within the jurisdiction of a State or States and local government(s) that have the authority to nominate the urban area for designation and that provide written assurances satisfactory to the Secretary that the strategic plan described in paragraph (c) of this section will be implemented;

(3) All information furnished by the nominating State(s) and local government(s) is determined by the Secretary to be reasonably accurate; and

(4) The State(s) and local government(s) certify that no portion of the area nominated is already included in an Empowerment Zone or Enterprise Community or in an area otherwise nominated to be designated under this section.

(b) *Nomination for designation.* No urban area may be considered for designation pursuant to subpart D of this part unless the nomination for designation:

(1) Demonstrates that the nominated urban area satisfies the eligibility criteria set forth at § 597.100;

(2) Includes a strategic plan, as described in paragraph (c) of this section; and

(3) Includes such other information as may be required by HUD in the application or in a Notice Inviting Applications, to be published in the Federal Register.

(c) *Strategic plan.* Each application for designation must be accompanied by a strategic plan, which must be developed in accordance with four key principles,

which will also be utilized to evaluate the plan. These principles are:

(1) *Economic opportunity,* including job creation within the community and throughout the region, as well as entrepreneurial initiatives, small business expansion and training for jobs that offer upward mobility;

(2) *Sustainable Community Development,* to advance the creation of liveable and vibrant communities through comprehensive approaches that coordinate economic, physical, community and human development;

(3) *Community-Based Partnerships,* involving the participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning and other community institutions; and

(4) *Strategic vision for change,* which identifies what the community will become and a strategic map for revitalization. The vision should build on assets and coordinate a response to community needs in a comprehensive fashion. It should also set goals and performance benchmarks for measuring progress and establish a framework for evaluating and adjusting the revitalization plan.

(d) *Elements of strategic plan.* The strategic plan should:

(1) Indicate and briefly describe the specific groups, organizations, and individuals participating in the production of the plan and describe the history of these groups in the community;

(2) Explain how participants were selected and provide evidence that the participants, taken as a whole, broadly represent the racial, cultural and economic diversity of the community;

(3) Describe the role of the participants in the creation, development and future implementation of the plan;

(4) Identify two or three topics addressed in the plan that caused the most serious disagreements among participants and describe how those disagreements were resolved;

(5) Explain how the community participated in choosing the area to be nominated and why the area was nominated;

(6) Provide evidence that key participants have the capacity to implement the plan;

(7) Provide a brief explanation of the community's vision for revitalizing the area;

(8) Explain how the vision creates economic opportunity, encourages self-



sufficiency and promotes sustainable community development.

(9) Identify key needs of the area and the current barriers to achieving the vision for it, including a description of poverty and general distress, barriers to economic opportunity and development and barriers to human development.

(10) Discuss how the vision is related to the assets and needs of the area and its surroundings;

(11) Describe the ways in which the community's approaches to economic development, social/human services, transportation, housing, sustainable community development, public safety, drug abuse prevention, and educational and environmental concerns will be addressed in a coordinated fashion; and explain how these linkages support the community's vision;

(12) Indicate how Social Services Block Grant funds for designated Empowerment Zones and Enterprise Communities will be utilized.

(i) In doing so, the Strategic Plan shall provide the following information:

(A) A commitment by the applicant, as well as by the state government(s) that the EZ/EC SSBG funds will be used to supplement, not replace, other federal or non-Federal funds for service or activities eligible under the SSBG program;

(B) A description of the entities that will administer the SSBG funds;

(C) A certification by such entities that they will provide periodic reports on the use of the SSBG funds; and

(D) A detailed description of the activities to be financed with the EZ/EC SSBG funds and how such funds will be allocated.

(ii) The EZ/EC SSBG funds may be used to achieve or maintain the following goals, through undertaking one of the below specified program options:

(A) The goal of economic self-support to prevent, reduce or eliminate dependencies, through one of the following program options:

(1) Funding community and economic development services focused on disadvantaged adults and youths, including skills training, transportation services and job, housing business and financial management counseling;

(2) Supporting programs that promote home ownership, education or other routes to economic independence for low-income families, youth and other individuals;

(3) Assisting in the provision of emergency and transitional shelter for disadvantaged families, youths and other individuals;

(B) The goal of self-sufficiency, including reduction or prevention of

dependencies, through one of the following program options:

(1) Providing assistance to non-profit organizations and/or community and junior colleges that provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurial, self employment and other skills that promote individual self-sufficiency, and the interest of the community;

(2) Funding programs to provide training and employment for disadvantaged adults and youths in construction, rehabilitation or improvement of affordable housing, public infrastructure and community facilities; and

(C) The goal of prevention or amelioration of the neglect, abuse or exploitation of children and/or adults unable to protect themselves; or the goal of preservation or rehabilitation of families, through one of the following program options:

(1) Providing support for residential or non-residential drug and alcohol prevention and treatment programs that offer comprehensive services for pregnant women, mothers and their children;

(2) Establishing programs that provide activities after school hours, including keeping school buildings open during evenings and weekends for mentor and study programs.

(iii) If the EZ/EC/SSBG funds are to be used for program options not included in paragraph (b) of this section, the strategic plan must indicate how the proposed activities meet the goals set forth in paragraph (b) of this section and the reasons the approved programs options were not pursued.

(iv) To the extent that the EZ/EC/SSBG funds are used for the program options include in paragraph (b) of this section, they may be used for the following activities, in addition to those activities permitted by Section 2005 of the Social Security Act:

(A) To purchase or improve land or facilities;

(B) To make cash payments to individuals for subsistence or room and board;

(C) To make wage payments to individuals as a social service;

(D) To make cash payments for medical care; and

(E) To provide social services to institutionalized persons.

(v) The State must obligate the EZ/EC/SSBG funds in accordance with the Strategic Plan within 2 years from the date of designation of the Empowerment Zone or Enterprise community.

(13) Indicate how tax benefits for designated Zones and Communities,

State and local resources, existing Federal resources available to the locality and additional Federal resources believed necessary to implement the strategic plan will be utilized within the Empowerment Zone or Enterprise Community;

(14) Indicate a level of commitment necessary to ensure that these resources will be available to the area upon designation;

(15) Identify the Federal resources applied for or for which applications are planned; if a strategic plan indicates how Community Development Block Grant (CDBG), HOME, Emergency Shelter Grant, and Housing Opportunities for People with AIDS (HOPWA) funds will be expended (for the entire locality including the nominated area), the strategic plan will be considered by the Office of Community Planning and Development at HUD toward satisfying the consolidated planning requirements that will soon be issued for these programs.

(16) Identify private resources and support, including assistance from business, non-profit organizations and foundations, which are available to be leveraged with public resources; and provide assurances that these resources will be made available to the area upon designation;

(17) Identify changes necessary to Federal rules and regulations necessary to implement the plan, including specific paperwork or other Federal program requirements that must be altered to permit effective implementation of the strategic plan; and

(18) Identify specific regulatory and other impediments to implementing the strategic plan for which waivers are requested, with appropriate citations and an indication whether waivers can be accomplished administratively or require statutory changes.

(19) Demonstrate how State and local governments will reinvent themselves to help implement the plan, by identifying changes that will be made in State and local organizations, processes and procedures, including laws and ordinances;

(20) Explain how different agencies in State and local governments will work together in new responsive ways to implement the strategic plan;

(21) Identify the specific tasks and timetable necessary to implement the plan;

(22) Describe the partnerships that will be established to carry out the plan;

(23) Explain how the plan will be regularly revised to reflect new information and opportunities; and

(24) Identify benchmarks and goals that should be used in evaluating performance in implementing the plan.

(e) *Prohibition against business relocation.* The strategic plan may not include any action to assist any establishment in relocating from one area outside the nominated urban area to the nominated urban area, except that assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary is permitted if:

(1) The establishment of a new branch, affiliate, or subsidiary will not result in a decrease in employment in the area of original location or in any other area where the existing business entity conducts business operations; and

(2) There is no reason to believe that the new branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where the existing business entity conducts business operations.

(f) *Implementation of strategic plan.* The strategic plan may be implemented by the local government(s) and/or by the State(s) nominating an urban area for designation and/or by nongovernmental entities identified in the strategic plan. Activities included in the plan may be funded from any source, Federal, State, local, or private, which provides assistance in the nominated area.

(g) *Activities included in strategic plan.* A strategic plan may include, but is not limited to, activities which address:

(1) Economic problems, through measures designed to create job training and employment opportunities; support for business startup or expansion; or development of community institutions;

(2) Human concerns, through the provision of social services, such as rehabilitation and treatment programs or the provision of training, education, or other services within the affected area;

(3) Community needs, such as the expansion of housing stock and homeownership opportunities, efforts to reduce homelessness, efforts to promote fair housing and equal opportunity, efforts to reduce and prevent crime and improve security in the area; and

(4) Physical improvements, such as the provision or improvement of recreational areas, transportation or other public services within the affected area, and improvements to the infrastructure and environmental protection

#### § 597.201 Evaluating the strategic plan.

The strategic plan will be evaluated for effectiveness as part of the designation process for nominated urban areas described in § 597.301 of this part. On the basis of this evaluation, HUD may negotiate reasonable modifications of the strategic plan or of the boundaries of a nominated urban area or the period for which such designation shall remain in full effect. The effectiveness of the strategic plan will be determined in accordance with the four key principles set forth in § 597.200(c) of this part. HUD will review each plan submitted in terms of the four equally weighted key principles, and of such other elements of these key principles as are appropriate to address the opportunities and problems of each nominated area which may include:

(a) *Economic opportunity.* (1) The extent to which businesses, jobs, and entrepreneurship increase within the Zone or Community;

(2) The extent to which residents will achieve a real economic stake in the Zone or Community;

(3) The extent to which residents will be employed in the process of implementing the plan and in all phases of economic and community development;

(4) The extent to which residents will be linked with employers and jobs throughout the entire region or metropolitan area, and the way in which residents will receive training, assistance, and family support to become economically self-sufficient;

(5) The extent to which economic revitalization in the Zone or Community interrelates with the broader regional or metropolitan economies; and

(6) The extent to which lending and investment opportunities will increase within the Zone or Community through the establishment of mechanisms to encourage community investment and to create new economic growth.

(b) *Sustainable community development.* (1) *Consolidated planning.* The extent to which the plan is part of a larger strategic community development plan for the nominating locality and is consistent with broader regional development strategies;

(2) *Public safety.* The extent to which strategies such as community policing will be used to guarantee the basic safety and security of persons and property within the Zone or Community;

(3) *Amenities and design.* The extent to which the plan considers issues of design and amenities that will foster a sustainable community, such as open spaces, recreational areas, cultural

institutions, transportation, energy, land and water uses, waste management, environmental protection, and the quality of life in the community;

(4) *Sustainable development.* The extent to which economic development will be achieved in a manner that protects public health and the environment;

(5) *Supporting families.* The extent to which the strengths of families will be supported so that parents can succeed at work, provide nurture in the home, and contribute to the life of the community;

(6) *Youth development.* The extent to which the development of children, youth, and young adults into economically productive and socially responsible adults will be promoted, and the extent to which young people will be provided with the opportunity to take responsibility for learning the skills, discipline, attitude, and initiative to make work rewarding;

(7) *Education goals.* The extent to which schools, religious institutions, non-profit organizations, for-profit enterprises, local governments and families will work cooperatively to provide all individuals with the fundamental skills and knowledge they need to become active participants and contributors to their community, and to succeed in an increasingly competitive global economy;

(8) *Affordable housing.* The extent to which a housing component, providing for adequate safe housing and ensuring that all residents will have equal access to that housing is contained in the strategic plan;

(9) *Drug abuse.* The extent to which the plan addresses levels of drug abuse and drug related activity through the expansion of drug treatment services, drug law enforcement initiatives and community based drug abuse education programs.

(10) *Equal opportunity.* The extent to which the plan offers an opportunity for diverse residents to participate in the rewards and responsibilities of work and service. The extent to which the plan ensures that no business within a nominated Zone or Community will directly or through contractual or other arrangements subject a person to discrimination on the basis of race, color, national origin, gender or disability in its employment practices, including recruitment, recruitment advertising, employment, layoff, termination, upgrading, demotion, transfer, rates of pay or other forms of compensation, or use of facilities.

(c) *Community-based partnerships.*

(1) *Community partners.* The extent to which residents of the nominated area have participated in the development of

the strategic plan and their commitment to implementing it, and the extent to which community-based organizations in the nominated area have participated in the development of the plan and their record of success measured by their achievements and support for undertakings within the nominated area; and the extent to which the plan integrates the local educational, social, civic, environmental and health organizations and reflects the prominent place that these institutions play in the life of a revitalized community.

(2) *Private and non-profit organizations as partners.* The extent to which partnership arrangements include commitments from private and non-profit organizations, including corporations, utilities, banks and other financial institutions, and educational institutions supporting implementation of the strategic plan;

(3) *State and local government partners.* The extent to which State and local governments are committed to providing support to implement the strategic plan, including their commitment to "reinventing" their roles and coordinating programs to implement the strategic plan; and

(4) *Permanent implementation and evaluation structure.* The extent to which a responsible and accountable implementation structure or process has been created to ensure that the plan is successfully carried out and that improvements are made throughout the period of the Zone or Community's designation and the extent to which the partners agree to be bound by their commitments.

(d) *Strategic vision for change.* (1) *Goals and Coordinated strategy.* The extent to which the strategic plan reflects a projection for the community's revitalization which links economic, human, physical, community development and other activities in a mutually reinforcing, synergistic way to achieve ultimate goals;

(2) *Creativity and innovation.* The extent to which the activities proposed in the plan are creative, innovative and promising and will promote the civic spirit necessary to revitalize the nominated area;

(3) *Building on assets.* The extent to which the vision for revitalization realistically addresses the needs of the nominated area in a way that takes advantage of its assets.

(4) *Benchmarks and learning.* The extent to which the plan includes performance benchmarks for measuring progress in its implementation, including an on-going process for adjustments, corrections and building on what works

#### § 597.202 Submission of nominations for designation.

(a) *General.* A nomination for designation as an Empowerment Zone and/or Enterprise Community must be submitted for each urban area for which such designation is requested. The nomination shall be submitted in a form to be prescribed by HUD in the application and in the Notice Inviting Applications published in the Federal Register, and must contain complete and accurate information.

(b) *Certifications.* Certifications must be submitted by the State(s) and local government(s) requesting designation stating that:

(1) The nominated urban area satisfies the boundary tests of § 597.100(d) of this part;

(2) The nominated urban area is one of pervasive poverty, unemployment and general distress, as prescribed by § 597.102 of this part;

(3) The nominated urban area satisfies the poverty rate tests set forth in § 597.103 of this part;

(4) The nominated urban area contains no portion of an area that is either already designated as an Empowerment Zone and/or Enterprise Community, or is otherwise included in any other area nominated for designation as an Empowerment Zone and/or Enterprise Community;

(5) Each nominating governmental entity has the authority to:

(i) Nominate the urban area for designation as an Empowerment Zone and/or Enterprise Community;

(ii) Make the State and local commitments required by § 597.200(d) of this part; and

(iii) Provide written assurances satisfactory to the Secretary that these commitments will be met.

(6) Provide assurances that the amounts provided to the State for the area under section 2007 of title XX of the Social Security Act will not be used to supplant Federal or non-Federal funds for services and activities which promote the purposes of section 2007;

(7) Provide that the nominating governments or corporations agree to make available all information requested by HUD to aid in the evaluation of progress in implementing the strategic plan and reporting on the use of Empowerment Zone/Enterprise Community Social Service Block Grant funds; and

(8) Provide assurances that the nominating State(s) agrees to distribute the Empowerment Zone/Enterprise Community Social Service Block Grant funds in accordance with the strategic plan submitted for the designated Zone or Community.

(c) *Maps and area description.* Maps and a general description of the nominated urban area shall accompany the nomination request.

#### Subpart D—Designation Process

##### § 597.300 HUD action and review of nominations for designation.

(a) *Establishment of submission procedures.* HUD will establish a time period and procedures for the submission of nominations for designation as Empowerment Zones or Enterprise Communities, including submission deadlines and addresses, in a Notice Inviting Applications, to be published in the Federal Register.

(b) *Acceptance for processing.* (1) HUD will accept for processing those nominations for designation as Empowerment Zones or Enterprise Communities which HUD determines have met the criteria required by this part. HUD will notify the State(s) and local government(s) whether or not the nomination has been accepted for processing. The criteria for acceptance for processing are as follows:

(2) The nomination for designation as an Empowerment Zone or Enterprise Community must be received by HUD on or before the time on the date established by the Notice Inviting Applications published in the Federal Register. The nomination for designation as an Empowerment Zone or Enterprise Community must be complete and must be accompanied by a strategic plan, as required by § 597.200(c) of this part, and the certifications required by § 597.202(b) of this part.

(c) *Evaluation of nominations.* In the process of reviewing each nomination accepted for processing, HUD may undertake a site visit(s) to any nominated area to aid in the process of evaluation.

(d) *Modification of the strategic plan, boundaries of nominated urban areas, and/or period during which designation is in effect.* Subject to the limitations imposed by § 597.100 of this part, HUD may negotiate reasonable modifications of the strategic plan, the proposed boundaries of a nominated urban area, or the term for which a designation is to remain in full effect, to ensure maximum efficiency and fairness in the provision of assistance to such areas.

(e) *Publication of designations.* Announcements of those nominated urban areas designated as Empowerment Zones or Enterprise Communities will be made by publication of a Notice in the Federal Register.

**§ 597.301 Selection factors for designation of nominated urban areas.**

(a) *Selection factors.* In choosing among nominated urban areas eligible for designation, the Secretary shall consider:

(1) The effectiveness of the strategic plan in accordance with the key principles and evaluative criteria set out in § 597.201.

(2) The effectiveness of the assurances made pursuant to § 597.200(a)(2) that the strategic plan will be implemented.

(3) The extent to which an application proposes activities that are creative and innovative in comparison to other applications.

(4) Such other factors established by HUD. Such factors include, but are not limited to, the degree of need demonstrated by the nominated area for assistance under this part. If other factors are established by HUD, a Federal Register Notice will be published identifying such factors, along with an extension of the application due date if necessary.

(b) *Geographic diversity.* HUD, in its discretion, may choose to select for designation a lower rated approvable application over a higher rated application in order to increase the level of geographic diversity of designations approved under this part.

**§ 597.302 Number of Empowerment Zones and Enterprise Communities designated.**

(a) *Empowerment Zones.* HUD will designate up to six of the nominated urban areas as Empowerment Zones, provided That if six such zones are so designated, no less than one shall be designated in an urban area the most populous city of which has a population of 500,000 or less and no less than one shall be a nominated urban area which includes areas in two States and which has a population of 50,000 or less.

(b) *Enterprise Communities.* HUD will designate up to 65 of the nominated urban areas not designated Empowerment Zones under paragraph (a) of this section as Enterprise Communities.

**Subpart E—Post-Designation Requirements****§ 597.400 Reporting.**

HUD will require periodic reports for the Empowerment Zones and Enterprise Communities designated pursuant to this part. These reports will identify the community, local government and State actions which have been taken in accordance with the strategic plan. In addition to these reports, such other information relating to designated Empowerment Zones and Enterprise

Communities as HUD shall request from time to time, including information documenting nondiscrimination in hiring and employment by businesses within the designated Empowerment Zone or Enterprise Community, shall be submitted promptly.

**§ 597.401 Periodic performance reviews.**

HUD will regularly evaluate the progress of the strategic plan in each designated Empowerment Zone and Enterprise Community on the basis of performance reviews to be conducted on site and other information submitted. HUD will also commission evaluations of the Empowerment Zone program as a whole by an impartial third party, at such intervals as HUD may establish.

**§ 597.402 Validation of designation.**

(a) *Reevaluation of designations.* On the basis of the performance reviews described in § 597.401, and subject to the provisions relating to the revocation of designation appearing at § 597.403, HUD will make findings on the continuing eligibility for and the validity of the designation of any Empowerment Zone or Enterprise Community. Determinations of whether any designated Empowerment Zone or Enterprise Community remains in good standing shall be promptly communicated to all Federal agencies providing assistance or administering programs under which assistance can be made available in such Zone or Community.

(b) *Modification of designation.* Based on an urban area's success in carrying out its strategic plan, and subject to the provisions relating to revocation of designation appearing at § 597.403 of this part and the requirements as to the number, maximum population and other characteristics of urban Empowerment Zones set forth in § 597.3 of this part, the Secretary may modify designations by reclassifying urban Empowerment Zones as Enterprise Communities or Enterprise Communities as Empowerment Zones.

**§ 597.403 Revocation of designation.**

(a) *Basis for revocation.* The Secretary may revoke the designation of an urban area as an Empowerment Zone or Enterprise Community if the Secretary determines, on the basis of the periodic performance review described at § 597.401 of this part, that the State(s) or local government(s) in which the urban area is located

(1) Has modified the boundaries of the area;

(2) Has failed to make progress in achieving the benchmarks set forth in the strategic plan, or

(3) Has not complied substantially with the strategic plan.

(b) *Letter of warning.* Before revoking the designation of an urban area as an Empowerment Zone or Enterprise Community, the Secretary will issue a letter of warning to the nominating State(s) and local government(s):

(1) Advising that the Secretary has determined that the nominating local government(s) and/or State(s) has:

(i) Modified the boundaries of the area; or

(ii) Is not complying substantially with, or has failed to make progress in achieving the benchmarks set forth in the strategic plan prepared pursuant to § 597.200(c) of this part; and

(2) Requesting a reply from all involved parties within 90 days of the receipt of this letter of warning.

(c) *Notice of revocation.* After allowing 90 days from the date of receipt of the letter of warning for response, and after making a determination pursuant to paragraph (a) of this section, the Secretary may issue a final notice of revocation of the designation of the urban area as an Empowerment Zone or Enterprise Community.

(d) *Notice to affected Federal agencies.* HUD will notify all affected Federal agencies providing assistance in an urban Empowerment Zone or Enterprise Community of its determination to revoke any designation pursuant to this section or to modify a designation pursuant to § 597.402(b) of this part.

**Subpart F—Special Rules****§ 597.500 Indian reservations.**

No urban Empowerment Zone or Enterprise Community may include any area within an Indian reservation.

**§ 597.501 Governments.**

If more than one State or local government seeks to nominate an urban area under this part, any reference to or requirement of this part shall apply to all such governments.

**§ 597.502 Nominations by economic development corporations or the District of Columbia.**

Any urban area nominated by an Economic Development Corporation chartered by the State in which it is located or by the District of Columbia shall be treated as dominated by a State and local government.

**§ 597.503 Use of census data.**

Population and poverty rate data shall be determined by the most recent decennial census data available.

Dated January 12, 1994

Andrew Cuomo,

*Assistant Secretary for Community Planning  
and Development*

[PR Doc. 94-1158 Filed 1-14-94; 8 45 am]

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# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Community Planning and Development

[Docket No. N-04-3704; FR-3504-N-01]

## Notice Inviting Applications for Designation of Empowerment Zones and Enterprise Communities

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice inviting applications.

**SUMMARY:** This Notice invites applications from States and local governments nominating urban areas for designation as Empowerment Zones or Enterprise Communities, as those terms are defined in this Notice and in an interim rule published elsewhere in today's Federal Register. The interim rule provides the guidance on contents of the applications.

**DATES:** Application due date: Applications may be submitted at any time after February 17, 1994. The deadline for receipt of an application 4 p.m. Eastern Time on June 30, 1994. Applications received after that date will not be considered.

**ADDRESSES:** Applications may be obtained from CPD personnel in any HUD Field Office listed in the appendix to this Notice, or by telephoning (202) 708-0784. (This is not a toll-free number.) Applications must be sent to: U.S. Department of Housing and Urban Development, Office of Community Planning and Development, EZ/EC Team, room 7255, 451 Seventh Street SW., Washington, DC 20410.

**FOR FURTHER INFORMATION CONTACT:** Michael T. Savage, Deputy Director, Office of Economic Development, room 7136, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, DC 20410, telephone (202) 708-2290, TDD (202) 708-2565. (These are not toll-free numbers.)

### SUPPLEMENTARY INFORMATION:

#### Paperwork Reduction Act

The reader should refer to the interim rule, published elsewhere in today's Federal Register, for information on the information collection requirements of the rule and this notice.

#### I. Background

At the core of President Clinton's economic proposals to Congress and to the American people is the need to empower America's distressed communities. His Empowerment Zone

proposal represents a new approach to the problems of distressed communities. It uses a bottom-up community based strategy rather than a top-down bureaucratic approach. It is a strategy to empower residents and all sections of a community to come together to create jobs and opportunities.

Title XIII of the Omnibus Reconciliation Act of 1993, enacted to implement the President's vision, authorizes the Secretary of the Department of Housing and Urban Development to designate up to six Empowerment Zones and up to 65 Enterprise Communities in urban areas and the Secretary of the Department of Agriculture to designate up to three Empowerment Zones and up to 30 Enterprise Communities in rural areas. (Unless otherwise noted, all references in this Notice to Empowerment Zones also include Enterprise Communities.) This Notice invites applications from State and local governments for the purpose of nominating urban areas to be designated as Empowerment Zones.

The program is intended to combine the resources of the Federal government with those of State and local governments, educational institutions, and the private and non-profit sectors to implement the Strategic Plan. The Federal government will take steps to coordinate Federal assistance in support of the Zones, including expedited processing, priority funding, and working to overcome programmatic regulatory and statutory impediments. To that end, a Presidential Directive has been issued that creates a Community Enterprise Board headed by Vice President Gore to carry out these responsibilities.

#### II. Eligibility

The statute specifies certain criteria that must apply in order for an area to be eligible for Empowerment Zone designation, including geographic size, population, poverty rate by census tract (or where an area is not tracted, generally in rural areas, by the equivalent of census tracts—block numbering areas), pervasive poverty, unemployment, and general distress of the area. The details of these requirements are described in the interim rule governing the program, published elsewhere in today's Federal Register.

This information must be provided in the application. HUD will accept certifications of the data, subject to verification if an application is selected for designation.

#### III. Designation Factors

The statute specifies three factors to be considered by the Secretary in designating Empowerment Zones: (1) The effectiveness of the Strategic Plan; (2) the effectiveness of the assurances provided in support of the Plan; and (3) other criteria to be specified by the Secretary. Each of these factors is discussed in greater detail in the Interim rule. (The Strategic Plan is described in the interim rule at 24 CFR 597.200.)

#### IV. Timing and Location of Application Submissions

Applications may be obtained from any CPD personnel in any HUD Field Office (see appendix) or by calling (202) 708-0784. (This is not a toll-free number.) Applications may be submitted at any time following February 17, 1994, which is the effective date of the interim rule governing the program. Applications must be submitted to the address listed under "ADDRESSES" at the beginning of this Notice. The deadline for receipt of the application at the address specified in the application is 4 p.m. Eastern Time on June 30, 1994. Applications received after that date and time will not be accepted, and will be returned to the sender. Applications sent by FAX are not acceptable.

Applicants will be notified of an incomplete application. The applicant will be given an opportunity to provide the missing information to HUD.

#### V. Miscellaneous

Empowerment Zone designation does not constitute a Federal action under the Uniform Relocation Act (URA). However, any activity constituting a Federal action that may result from such a designation may be subject to the provisions of the URA, as well as any other statutory or regulatory provisions governing the particular Federal action.

#### VI. Other Matters

##### Paperwork Reduction Act

See information contained in the interim rule for this program, published elsewhere in today's Federal Register, for information on the approval of information collection requirements under the Paperwork Reduction Act.

##### Environment, Federalism, Family

Findings with regard to the National Environmental Policy Act, Executive Order 12612 (Federalism), and Executive Order 12606 (The Family) have been made under the interim rule for this program (24 CFR part 597), published elsewhere in today's Federal Register.

Dated January 12, 1994

**Andrew Cuomo,**

*Assistant Secretary for Community Planning and Development*

**HUD Field Offices**

**Region I (Boston)**

**Boston Regional Office,** Room 375, Thomas P. O'Neill, Jr., Federal Bldg., 10 Causeway Street, Boston, MA 02222-1092, Telephone No. (617) 565-5234

**Field Offices**

**Hartford Office,** First Floor, 330 Main Street, Hartford, CT 06106-1860, Telephone No. (203) 240-4523

**Region II (New York)**

**New York Regional Office,** 26 Federal Plaza, New York, NY 10078-0068, Telephone No. (212) 264-6500

**Field Offices**

**Buffalo Office,** Fifth Floor, Lafayette Court, 465 Main Street, Buffalo, NY 14203-1780, Telephone No. (716) 846-5755

**Newark Office,** Thirteenth Floor, One Newark Center, Newark, NJ 07102-5260, Telephone No. (201) 622-7900

**Region III (Philadelphia)**

**Philadelphia Regional Office,** Liberty Square Building, 105 South Seventh Street, Philadelphia, PA 19106-3392, Telephone No. (215) 597-2560

**Field Offices**

**Baltimore Office,** Fifth Floor, City Crescent Building, 10 South Howard Street, Baltimore, MD 21201-2505, Telephone No. (410) 962-2520

**Pittsburgh Office,** 412 Old Post Office Courthouse, 7th Avenue and Grant Street, Pittsburgh, PA 15219-1906, Telephone No. (412) 644-6428

**Richmond Office,** The 3600 Centre, 3600 West Broad Street, P.O. Box 90331, Richmond, VA 23230-0331, Telephone No. (804) 278-4507

**Washington, DC Office,** 820 First Street, NE, Washington, DC 20002-4205, Telephone No. (202) 275-9200

**Region IV (Atlanta)**

**Atlanta Regional Office,** Richard B. Russell Federal Building, 75 Spring Street, SW, Atlanta, GA 30303-3388, Telephone No. (404) 331-5136

**Field Offices**

**Birmingham Office,** Suite 300, Beacon Ridge Tower, 600 Beacon Parkway, West, Birmingham, AL 35209-3144, Telephone No. (205) 290-7617

**Caribbean Office,** New San Juan Office Building, 159 Carlos Chardon Avenue, San Juan, PR 00918-1804, Telephone No. (809) 766-6121

**Columbia Office,** Strom Thurmond Federal Building, 1635-45 Assembly Street, Columbia, SC 29201-2480, Telephone No. (803) 765-5592

**Greensboro Office,** Koger Building, 2306 West Meadowview Road, Greensboro, NC 27407-3707, Telephone No. (919) 547-4001

**Jackson Office,** Suite 910, Doctor A. H. McCoy Federal Building, 100 West Capitol Street, Jackson, MS 39269-1096, Telephone No. (601) 965-5308

**Jacksonville Office,** Suite 2200, Southern Bell Tower, 301 West Bay Street, Jacksonville, FL 32202-5121, Telephone No. (904) 232-2626

**Knoxville Office,** Third Floor, John J. Duocan Federal Building, 710 Locust Street, Knoxville, TN 37902-2526, Telephone No. (615) 545-4384

**Louisville Office,** 601 West Broadway, P.O. Box 1044, Louisville, KY 40201-1044, Telephone No. (502) 582-5251

**Region V (Chicago)**

**Chicago Regional Office,** Ralph Metcalfe Federal Building, 77 West Jackson Boulevard, Chicago, IL 60604-3507, Telephone No. (312) 353-5680

**Field Offices**

**Columbus Office,** 200 North High Street, Columbus, OH 43215-2499, Telephone No. (614) 469-5737

**Detroit Office,** Patrick V. McNamara Federal Building, 477 Michigan Avenue, Detroit, MI 48226-2592, Telephone No. (313) 226-7900

**Indianapolis Office,** 151 North Delaware Street, Indianapolis, IN 46204-2526, Telephone No. (317) 226-6303

**Milwaukee Office,** Suite 1380, Henry S. Reuss Federal Plaza, 310 West Wisconsin Avenue, Milwaukee, WI 53203-2289, Telephone No. (414) 297-3214

**Minneapolis-St. Paul Office,** 220 Second Street, South, Minneapolis, MN 55401-2195, Telephone No. (612) 370-3000

**Region VI (Fort Worth)**

**Fort Worth Regional Office,** 1600 Throckmorton, Post Office Box 2905, Fort Worth, TX 76113-2905, Telephone No. (817) 865-5401

**Field Offices**

**Little Rock Office,** Suite 900, TCBY Tower, 425 West Capitol Avenue, Little Rock, AR 72201-3488, Telephone No. (501) 324-5931

**New Orleans Office,** Fisk Federal Building, 1661 Canal Street, New Orleans, LA

70112-2887, Telephone No. (504) 589-7200

**Oklahoma City Office,** Murrah Federal Building, 200 N.W. Fifth Street, Oklahoma City, OK 73102-3202, Telephone No. (405) 231-4181

**San Antonio Office,** Washington Square, 800 Dolorosa, San Antonio, TX 78207-4563, Telephone No. (512) 229-6800

**Region VII (Kansas City)**

**Kansas City Regional Office,** Room 200, Gateway Tower II, 400 State Avenue, Kansas City, KS 66101-2406, Telephone No. (913) 236-2162

**Field Offices**

**Omaha Office,** Executive Tower Centre, 10909 Mill Valley Road, Omaha, NE 68154-3955, Telephone No. (402) 492-3101

**St. Louis Office,** Third Floor, Robert A. Young Federal Building, 1222 Spruce Street, St. Louis, MO 63103-2836, Telephone No. (314) 539-6560

**Region VIII (Denver)**

**Denver Regional Office,** Executive Tower Building, 1405 Curtis Street, Denver, CO 80202-2349, Telephone No. (303) 844-4513

**Region IX (San Francisco)**

**San Francisco Regional Office,** Phillip Burton Federal Building, and U.S. Courthouse, 450 Golden Gate Avenue, P.O. Box 36003 San Francisco, CA 94102-3448, Telephone No. (415) 556-4752

**Field Offices**

**Honolulu Office,** Suite 500, Seven Waterfront Plaza, 500 Ala Moana Boulevard, Honolulu, HI 96813-4918, Telephone No. (808) 541-1323

**Los Angeles Office,** 1615 W. Olympic Boulevard, Los Angeles, CA 90015-3801, Telephone No. (213) 251-7122

**Region X (Seattle)**

**Seattle Regional Office,** Suite 200, Seattle Federal Office Building, 909 1st Avenue, Seattle, WA 98104-1000, Telephone No. (206) 220-5101

**Field Offices**

**Anchorage Office,** Suite 401, University Plaza Building, 949 East 36th Avenue, Anchorage, AK 99508-4135, Telephone No. (907) 271-4170

**Portland Office,** 520 Southwest Sixth Avenue, Portland, OR 97204-1596, Telephone No. (503) 326-2561

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# 1993 EMPOWERMENT ZONE AND ENTERPRISE COMMUNITY PROGRAM

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MONDAY, FEBRUARY 7, 1994

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,  
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 1:10 p.m., in Room 2167, Rayburn House Office Building, Hon. Robert E. Wise, Jr. (chairman of the subcommittee), presiding.

Mr. WISE. Good afternoon. This hearing of the Economic Development Subcommittee of Public Works and Transportation will come to order.

I want to thank very much, on a Monday, I want to thank very much both the witnesses who have come, as well as the Members. I think this is a very important hearing because it deals with the new program of empowerment zones and enterprise communities.

I would ask unanimous consent that my opening statement, my written statement be made a part of the record, and I will just summarize my remarks.

The genesis of this hearing is from a conference that I held in West Virginia, and Mr. Wenger attended, and which I greatly appreciate, as did others, in which the question was asked by many of the several hundred participants as we discussed the potential in the Empowerment Zone and Enterprise Community Program, the question was asked, Where does the funding go, what is it for, the \$40 million that can be allocated to each of nine empowerment zones, or the \$3 million that can be allocated to the enterprise communities?

The point was also made, and that is why, if I had my glasses, Mr. Edelman, that is why I am delighted you are here, because I thought your statement laid out well what the money could be used for. I really want to follow up on that.

But the question came to us, this is basically social services money, Title XX. What about infrastructure? What about if in addition to the education, to the job training, you are also trying to lay a water line to an industrial park that is part of a strategic plan, that is part of this empowerment zone or enterprise community, what type of coordinating devices are there? How are the agencies working together, both USDA, the HUD, and then all the many other agencies that are part of the Community Enterprise Board headed by the Vice President of the United States?

And so being as this is the Public Works Committee, and being as this is the Economic Development Subcommittee of the Public

Works Committee, it seemed the questions of infrastructure were very relevant under both headings.

So incidentally, I am delighted to state, I believe, the first of the regional meetings on EZ/EC—that is EZ as in letters, as opposed to EZ, Enterprise Zone—Empowerment Zone/Enterprise Community, is being held today. I am delighted that the first rural meeting, regional meeting, is being held tomorrow in Charleston, WV. And then it looks like an active schedule of regional meetings in both urban and rural areas for the next few weeks, explaining this program to many across the country.

And so I think that this hearing comes at a very, very good time, and I am delighted to have the panelists here as we explore what has been done so far, how it coordinates, and if each of you could refer in your testimony to that question, in addition to the social service money, which we do need to understand better all the things that it can be used for, how does infrastructure, how will infrastructure be incorporated into this.

[Mr. Wise's prepared statement follows:]

OPENING STATEMENT OF  
HON. ROBERT E. WISE, JR.

I would like to take this opportunity to thank my colleagues for examining these issues today.

We are here to evaluate the Empowerment Zone/Enterprise Community program and focus on the coordination efforts of the involved agencies.

The Empowerment Zone/Enterprise Community program is designed to jump-start communities in both urban and rural areas by giving them an opportunity to refocus their economic development efforts. This program is unique because it emphasizes the participation of the entire community in the planning process, creating a lasting commitment to the success of the plan.

I have seen how intensive economic development can revitalize a community, but it requires a great deal of effort and coordination. The creation of job opportunities by facilitating public-private partnerships is only the first step in the exercise; local planners must coordinate environmental, physical and human development if a community is to experience continued growth.

The Empowerment Zone/Enterprise Community program promises to provide many opportunities for distressed communities. While the concept is not new, the conscious effort to focus many agencies' efforts into one program is. I know that this program has the support of the administration; the President's Community Enterprise Board is chaired by the Vice President and is made up of Cabinet members from the Attorney General to the Secretary of Transportation. Their role in coordinating federal assistance and support within each Empowerment Zone and Enterprise Community is essential if we are going to make this program more responsive to the needs of distressed communities.

Two agencies devoted to economic development are represented here today; the Appalachian Regional Commission and the Economic Development Administration. In the federal government's efforts to increase coordination within communities through this program, it is important to recognize the wealth of knowledge and experience already available and to utilize existing resources so that we do not spend federal dollars to reinvent the wheel.

Today's hearing could hardly be more timely. While we are reinventing the government, we should take the opportunity to look at the communities we live in. We need to provide them with the tools that they need to make their economic development plans a reality. This includes not only fiscal support, through Empowerment Zone/Enterprise Community Social Services Block Grants and tax benefits, but technical assistance and sustainable community development programs.

Now that the legislation has been passed and the regulations have been written, the challenge is to see this program through to fruition. I am encouraged by the efforts of the lead agencies and look forward to increased participation from all entities that have a stake in our communities.

Mr. WISE. I am delighted to be joined by Mr. Kim of California, and I would turn to him for any opening remarks he may wish to make.

Mr. KIM. Thank you. I do have a one minute statement. As a freshman, I am used to only one minute anyway.

I would like to welcome all of you today.

Good afternoon, ladies and gentlemen, members of the distinguished panel, and my fellow Members of Congress. I am pleased to sit on this, as a Ranking Member today, this subcommittee hearing, as my colleague, Congresswoman Susan Molinari, was not able to make it today. I look forward to hearing how the various Federal agencies represented by panel today will coordinate efforts to implement regulations for empowerment zone and enterprise communities as set forth in the Omnibus Budget Reconciliation Act of 1993.

I am also interested in understanding better EDA and ARC's role in implementing empowerment zones in both rural and urban areas. Since both EDA, ARC have ongoing economic development programs in which the purposes mirror those of the empowerment zone proposal, it is vital that this committee exercise its oversight responsibilities to ensure that there is a sufficient and effective use of the EDA's programs, consistent with this new initiative.

Again, finally, I would like to thank the distinguished Chairman of this subcommittee for holding this hearing today to examine how the various agencies involved will be coordinating their efforts to implement empowerment and enterprise zone programs into EDA communities.

Again, thank you.

Mr. WISE. I appreciate the gentleman's remarks.

I am delighted to have the full committee Chair, Mr. Mineta, join us, who has been very active in a lot of areas, including most recently touring the earthquake damage, and I know is fresh back from that.

Mr. Chairman, any remarks you might wish to make, we would love to hear.

The CHAIR. Let me thank you very, very much for calling this hearing as the Chair of the Subcommittee on Economic Development.

This hearing is important because it will enable us to determine how Federal agencies can better coordinate their efforts to assist infrastructure development within enterprise zones and enterprise communities. Desperate conditions exist in too many of America's inner cities and distressed communities. These communities, suffering from the problems of crime, poverty, drugs, unemployment and homelessness, have become the home of a marginal class of Americans who are no longer able to share in the American dream.

The Clinton administration, together with Congress, has developed an Empowerment Zone and Enterprise Community Program to aggressively combat this cycle of decline in the Nation's distressed communities. This program will empower communities to carry out their own innovative strategies, to encourage further economic growth.

Through a combination of Federal tax credits and investment opportunities and investment initiatives, these communities will be

able to encourage new business start-ups, enable existing businesses and industries to flourish to create jobs, and compete on a global scale. I can appreciate that, because having been a mayor and coming from Silicon Valley, we have seen these kinds of opportunities blossom for local companies.

And so with this program, we begin to forge a new partnership among cities, towns, States, the private sector, and the Federal Government. Together through this partnership effort, we will develop a coordinated, comprehensive strategy to invest in our communities in a way that empowers our people to attack our problems creatively and aggressively.

The Subcommittee on Economic Development has called this hearing today in order to ensure that the Federal Government does everything possible to assist these communities. We are here to find out how Federal agencies may better coordinate their efforts to assist infrastructure development within empowerment zones and enterprise communities. Infrastructure development will be essential to help these communities provide an environment in which all Americans will share in the dream.

Again, I want to commend you for your leadership and that of Ms. Molinari, the Ranking Republican on our subcommittee, for holding this very important hearings.

Mr. WISE. I thank the full committee Chair, and I thank you for your support of this subcommittee in undertaking this initiative.

We will now turn to the gentleman from Georgia, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I, too, appreciate you holding this hearing this afternoon. I look forward with interest to hearing what these people or representatives of the different agencies of the government have in mind as to how we can further create jobs in the private sector.

Private-sector jobs earmarked toward the people who want to work or need to work is something that we must concentrate on. I have said before that we have a work force second to none that are eligible to work in particular jobs, but they are not out there in those jobs, one, because we haven't created the type of job that they are looking for; and two, they are trapped in a system called welfare that our government promotes and enhances every time that we seem to gather, it appears.

So I look forward to listening to their testimony and hope they do have some good ideas.

Mr. WISE. I thank the gentleman.

I recognize the gentlewoman from the District of Columbia, Ms. Eleanor Holmes Norton.

Ms. NORTON. Thank you very much, Mr. Chairman.

May I commend the Chairman of the subcommittee and thank him for holding this hearing at this time—at an early time when the empowerment zones and the enterprise communities are only now coming off of the drawing board. I welcome the fact that both rural and urban communities will benefit. Rural communities are not bucolic places. In many ways, they have the deepest poverty because it can't be seen as easily.

But, Mr. Chairman, I particularly welcome these hearings because of the frank concern that is palpable among the large cities that an urban policy as such has not yet emerged. It has been all

the administration could do to deal with mammoth problems that it inherited and whose solutions it wished to initiate, and we are seeing the fruits of that with a marvelous upturn in the economy.

No one believes, however, that the great cities will be restored even mildly to where they have been in recent memory, unless there is very special effort to do so. These great cities, and especially the inner cities, are becoming deserts where only people who have no place else to go will live, and where crime is, frankly, desperate.

There was great disappointment that the President's stimulus package did not in fact survive the Senate, because it would have been perhaps the beginning of an urban policy. Those of us who represent large cities must look to what is perhaps the only thing on the drawing board that has the appearance of the beginning of an urban policy—empowerment zones and enterprise communities.

In the Congressional Black Caucus, we worked very hard for them. We have now rural as well as urban Members. We worked hard for the services as well because we have no illusions that tax breaks and the like will cause people to move to communities where there is no empowered work force that can do the work in a world-class economy in which all companies, even small businesses, now compete.

I share the Chairman's concern about infrastructure because the neglect, particularly over the past decade, of these areas has been so great that unless we put the whole thing together, it will probably be wasteful to have put just a part of it together.

I commend the Chairman once again for focusing us early on this very important initiative that until now has been a word, but promises to be more than a concept and to become a reality this year.

Thank you, Mr. Chairman.

Mr. WISE. I thank the gentlewoman.

I now turn to the gentleman from Wisconsin, Mr. Barca.

Mr. BARCA. Thank you, Mr. Chairman.

I, too, think that this is a very timely topic for us to be taking up. I know that the department held a meeting in Chicago over the course of the past week and my district staff took advantage of that opportunity to go there and they found that the information presented was extremely helpful. I know that there is a great deal of interest in my own district in Wisconsin in applying to become one of these zones.

In the State legislature, I had become very involved in a similar kind of activity, although somewhat more modest in scope, where we had developed enterprise zones in a number of different communities across the State. So I'll be interested today to hear not only how you are trying to establish partnerships with the private sector, with civic groups, but also to try and dovetail with those efforts that States across the country have made in this regard.

As one of the previous speakers had mentioned, oftentimes you talk about the problems of crime and problems of welfare, you talk about them in isolation, where the real solution to so many of these problems largely lies in the ideal of trying to create family-supporting jobs. I believe this will be an important aspect of trying to accomplish that goal.



So I commend your departments for helping to create this. It was one of the better parts of the budget bill that we voted on. I am very hopeful that it will make a difference in inner city areas as well as in distressed rural communities throughout this Nation.

So I welcome your participation here. Thank you for being here and look forward to your testimony.

Mr. WISE. I thank the gentleman.

And I now turn to the gentleman from California, Mr. Hamburg.

Mr. HAMBURG. Thank you, Mr. Chairman.

Just to echo some of the remarks, I really appreciate your holding this hearing. I think it is very timely.

Something that Chairman Mineta said about the improvement of the economy overall, all these kind of macro indicators of economic health, seem to have left out many of the areas that Eleanor Holmes Norton spoke to, and also in my district which has many distressed rural communities, I have a great interest in whether these programs can have efficacy. I am looking at small towns, small rural towns with poverty rates in the 20 to 30 percent area. I am curious to know whether these towns will meet the criteria that are set out in this program.

I am also very curious about how these distressed communities are going to be able to meet any matching requirements and whether technical assistance will be available to these communities to help them in drafting these strategic plans.

One thing I like very much about the concept here is that it is really community-based. It is coming up with innovative strategies in the local community and presenting that strategic plan as a major part of the application process. I really endorse that. I think it is a very good idea. But for many communities in my district, they can barely afford to pay the city manager, let alone hire a planner and someone to come in and do these kinds of strategic plans.

The last thing I want to mention, because I always, always do, and it is one of the reasons I wanted to be on this committee, is that rural infrastructure is in crisis and in many parts of rural America, including my district, economic development cannot proceed without reasonably well-financed and constructed public infrastructure. And I am hoping that through these enterprise communities and empowerment zones and the legislation that we have passed and will be implementing, that some of these needs can be dealt with.

So again, thank you, Mr. Chairman.

Mr. WISE. I thank the gentleman.

And as the gentleman points out and as our full committee Chair pointed out, macroeconomic statistics are looking good. But I do note that in comprising the macro, you have a bunch of micros, and some of the micros need some help.

And I am distressed that in my State, indeed in many States, there are far too many census tracts that do meet the 35 percent or above poverty requirement for half—in order to comprise half of an empowerment zone or enterprise community. So there is still a lot of work to be done.

At this point I will introduce the panel, and I want to thank them again for being here. And I will list all the panelists and then turn to each of them in the order mentioned.

I would say to the panel that your written statement in its entirety has already been made a part of the record, so please feel free to summarize or to address any issue that you heard here, particularly one that the Chairman brought up.

We are delighted to have join with us the Honorable Wilbur F. Hawkins, Acting Assistant Secretary for Economic Development, the U.S. Department of Commerce.

It is good to have you back, Secretary Hawkins, and to see you again.

Representing the U.S. Department of Health and Human Services, Counselor to the Secretary, is Mr. Peter B. Edelman.

And as I mentioned earlier, Mr. Edelman, I am delighted to have you here, and your statement is very complete and I appreciate that.

Representing the U.S. Department of Housing and Urban Development as Deputy Director for Economic Development is Mr. Michael T. Savage.

Mr. Savage, thank you for being here.

No stranger to the 13 Appalachian States is Mr. Michael R. Wenger, the States' Washington representative.

Mr. Wenger.

And finally, joining us from the United States Department of Agriculture, the Special Assistant to the Under Secretary for Small Community and Rural Development, Mr. Peter Necheles.

Did I pronounce that correctly, sir?

Mr. NECHELES. Yes, you did.

Mr. WISE. And we are delighted to have you join us as well.

We will start in the order that I read your names. We will begin with Secretary Hawkins.

Mr. Hawkins.

**TESTIMONY OF HON. WILBUR F. HAWKINS, ACTING ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE; PETER B. EDELMAN, COUNSELOR TO THE SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES; MICHAEL T. SAVAGE, DEPUTY DIRECTOR, OFFICE OF ECONOMIC DEVELOPMENT, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; MICHAEL R. WENGER, STATES' WASHINGTON REPRESENTATIVE, APPALACHIAN REGIONAL COMMISSION; AND PETER NECHELES, SPECIAL ASSISTANT TO THE UNDER SECRETARY, SMALL COMMUNITY AND RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE**

Mr. HAWKINS. Thank you, Mr. Chairman, Mr. Kim, Chairman Mineta, and others of the Subcommittee on Economic Development. I thank you for the opportunity to appear before you today as we discuss the administration's new program on empowerment zones and enterprise communities.

The EC/EZ program is one many believe will emerge among the administration's more notable achievements in reinventing govern-

ment. The EZ/EC program will strive to tap the energy and resources of distressed communities so that we can, in the President's words, and I quote, "repair the American community and restore the American family."

The EZ/EC program is designed to empower people as well as communities across the Nation by promoting community, business, Federal and governmental partnerships to create jobs and opportunity. The nine EZs and 95 ECs will be designed by the Federal Government. Communities will have to apply by preparing creative strategic plans for revitalization as well as meet certain poverty and distress criteria.

Key principles that will guide the application and selection process include economic opportunity, sustainable community development, community-based partnerships, and a strategic vision for change.

On September 9, 1993, President Clinton signed a memorandum establishing the President's Community Enterprise Board, chaired by the Vice President. The Cabinet-level board is responsible for overseeing and encouraging new initiatives in community empowerment as authorized by the Budget Reconciliation Act of 1993. The board has been directed to encourage innovations by local governments, to find ways to reduce red tape and Federal regulations.

The Department of Commerce is a member of the President's Community Enterprise Board. The board has been asked to work with all communities submitting a strategic plan for change, even if they are not designated as an EZ or EC, to overcome programmatic, regulatory and statutory impediments, and to encourage more effective utilization of economic, human, and physical resources. The ultimate goal for the nine empowerment zones and 95 enterprise communities is to ensure that these communities, in particular, are in a position to become more competitive nationally and worldwide.

EDA has been asked by the Department of Commerce to concentrate its efforts upon economic development. Hence, EDA is analyzing its programs and looking at its project portfolio to determine how several initiatives might be applicable to the overall strategies of the program.

Under our traditional programs, EDA might serve urban and rural distressed areas, specifically in the areas of deferred maintenance and infrastructure. Our public works initiatives have been in many ways targeted toward distressed areas. Many communities lack the business and management infrastructure to be competitive in the 21st Century. EDA could launch demonstrations that would be a blend of public and private sector resources in support of capacity building and business development.

Likewise, EDA is in a position to assist communities by leveraging strategic planning resources for the application process. Congressman Hamburg specifically requested assistance for application processing.

Under the Economic Development Administration's long-term economic initiative as well as our short-term economic initiative, we do offer strategic planning assistance to communities. Particularly, we have recognized that communities that plan their eco-

conomic development are in a better position to leverage resources based upon that plan.

Our economic adjustment planning and trade adjustment assistance is available to these communities. Strategic planning has been and will continue to be an integral part of the EDA program delivery system.

For example, the first grant approved in the State of Florida as a result of Hurricane Andrew was a strategic planning grant. In the Midwest floods, EDA has ensured that communities focus first on long-term economic recovery, which foster the following: an examination of unique assets and resources that can support and engender new enterprises, the expansion of existing firms and the creation of new employment opportunities for residents; secondly, building consensus for a common set of priorities within the community; thirdly, effective coordination and cooperation among economic recovery partners is essential in establishing realistic goals and ensuring follow through on common priorities to implementation or completion.

Special attention also needs to be given to the economic needs of the communities that are not selected as a part of the Empowerment Zone/Enterprise Community Program. Threshold communities that will need long-term guidance and assistance to ensure that they can compete in the 21st Century.

Likewise, rural needs consistent with the level of need that has not been examined, especially along the 400 contiguous counties within the Black Belt or the Deep South, communities that could significantly benefit from the EZ/EC program, these communities need specialized expertise to package local needs, effective leadership, and infrastructure to sufficiently complete and compete in the process.

Likewise, management assistance is desperately needed. For example, special populations in Texas, the Mississippi Delta, rural Appalachia, and the rural Southwest, Northeast and the Northwest, are of special concern to the Economic Development Administration.

While urban areas represent a significant share of the designations, special designations alone are not the key to economic competitiveness. EDA has a long track record of involvement with distressed communities and there has been in some situations economic distress whether it has been a result of natural disasters such as the earthquakes in California, or defense conversion as a result of military downsizing, or social disorder in the form of riots or the loss of major industries. The Economic Development Administration's history is one of a commitment in assisting communities in planning their way out of the crisis by identifying new opportunities for diverse indication of local economies and utilizing competitive approaches.

At this point, Mr. Chairman, I would like to basically close out my formal comments, and render a few off-the-record comments with respect to the Economic Development Administration's approach to the EC/EZ program, first being, is that in our estimation, the EDA is in fact a very flexible organization. We have a litany of resources ranging from revolving loan funds to, as I mentioned, the planning assistance. Likewise, our Public Works Program is a

very vital part of what we consider to be competitiveness or helping communities that are distressed regain their competitiveness.

But we also recognize that there are competitive communities and there are noncompetitive communities within the framework of our 50 States. In order for the communities that are less competitive than others, we must be in a situation where we offer a flexible set of resources to these selected areas.

When we talk about partnerships and collaboration, I think one of the most essential parts of the Empowerment Zone/Enterprise Communities approach is the partnership. The Federal sector, all Cabinet levels, have been asked to look across their programmatic lines and see what resources can be targeted. We must target these resources consistent with the funding levels.

As you very well know, Mr. Chairman, the Economic Development Administration has been consistently addressing distressed areas, and likewise I think that as we begin to focus upon where the areas of greatest need are, we have to make sure that our budgetary resources are consistent with those needs.

We have seen over past years that the Economic Development Administration has basically assisted 16 to 18 percent of the areas that are eligible for our assistance. We will continue to target our resources to those areas in the greatest need.

Likewise, when we begin to talk about designations that may be necessary, the Economic Development Administration may need special legislation which would afford us an opportunity to service those areas that are selected that are not a part of our existing programmatic resource guidelines.

Finally, Mr. Chairman, I would like to offer one observation, and that is as we go through the selection process, communities have been asked and have been told to go through the selection process, whether you are selected ultimately or not, it is very important that you complete the process. I think that it is very important that from an administration perspective, we make sure that when communities go through the countless hours of preparing an application, also making certain that they contract with various partners to assist them in this process, that they are not forgotten after the selection process has rendered the nine ECs and the 95 EZs.

What we mean as a part of that is that somewhere along the line the Federal resources must be balanced as we move toward implementation of the program. If in fact we target all of our resources to the selected areas and not balanced with the targeting of additional resources or some portion of our budgetary resources toward those that are not selected, we in fact may be creating a crisis of greater proportions in the areas that are not selected.

I will pause now and hold for later questions. Thank you.

Mr. WISE. Well, I don't know, keep going. I like your off-the-record remarks as well as I do your on-the-record ones.

Mr. Edelman.

Mr. EDELMAN. Thank you, Mr. Chairman.

Mr. Chairman and Members of the subcommittee, I am pleased to be here today with some of our partners from other agencies. And indeed, the fact that we have been working together on this I think is an important departure in terms of the way the Executive Branch of this government has operated in the past. So I am

happy to be here to discuss the activities of our Department of Health and Human Services as part of the EZ/EC initiative.

In a way, it is going a little bit out of order, so it is like a mosaic here where the pieces are being filled in, because in fact the designation decision under the statute for the urban zones and communities is in the hands of the Department of Housing and Urban Development, and on the rural, the Department of Agriculture. They are the statutory players, if you will, joined by the rest of us through the enterprise board. And of course the Department of Health and Human Services is a major player because of the billion dollars under Title XX of the Social Security Act that Congress provided for this program.

So I will tell you a bit about HHS, and then I hope that will fill in as Mike Savage and Peter Necheles tell you about the application process and the designation process.

Mr. WISE. You make an excellent point, and I appreciate it, but I do want you to know that we are saving them for last in the sense of the application process, and indeed that is why they have been invited to Charleston, that is why they have been invited all across the country. We want to find out what we get after we get that designation and how it all rolls together.

Mr. EDELMAN. Absolutely. And in any case, by the time we are done, I think the picture will emerge, I agree, Mr. Chairman.

HHS has been deeply involved. We helped in the development of the initiative. We are participating in the implementation and we are putting significant money in. Secretary Shalala is a member of the Community Enterprise Board and a number of us within the department work with the National Economic Council and the other departments on the implementation activity.

There are some of our programs within HHS that will support economic development in the narrow sense of economic development. But I think what we in our department bring to this is really beyond that. It is, I think, the insight and the fact that one can't do economic development in a vacuum, that it has to be connected to human development, that human capital, trained, functional, healthy people, are as important to economic regeneration as are tax credits and loan funds and technical business assistance.

So one of the things that I think is absolutely critical and vital about this initiative is that it looks to a three-dimensional plan and set of activities within a neighborhood or a rural area that becomes a part of this legislation as implemented. The residents need education, job placement assistance, family support. All of that is important to be able to succeed in the labor market in jobs that are there for them.

We at HHS in particular think that we must promote the inclusion and integration of social and economic development as a key component and in a complete community development agenda.

As I mentioned, as of course you know, the legislation provides a total of a billion dollars for grants through the States for the designated areas: \$100 million each for each of the six urban empowerment zones, \$40 million each for each of the three rural empowerment zones, and \$280 million divided among the 95 urban and rural enterprise communities.

Now, this funding is different in what it can be used for from the traditional Title XX of the Social Security Act, which has been on the Federal books for 20 years or more. Those funds are a block grant distributed to the States to finance social service activities like child care, adult day care, meal assistance, and other services that meet the special needs of children and the aged and people with physical and mental disabilities.

Under the acronym that we lovingly call EZ/EC SSBG, there is greater flexibility. With the special block grant funds, the special Title XX funds for this program, there is much greater flexibility. And indeed I hope all the Members have had a chance to see the application, which is an important document that describes the program very clearly.

It starts out by saying this is not a typical application, this is not a typical Federal program. We are trying to communicate in very plain English what is possible. In that application, I would call your attention for later examination to pages 30 and 31, which spell out the permitted use of the special SSBG money. There are three broad goals, two of them focusing on economic self-support and independence, and the third on assistance for children and families. There are a number of permitted activities that are listed; entrepreneurship education, skills training, transportation services to link workers with jobs, homeownership assistance, substance abuse prevention and treatment programs, school-based activities for mentoring and educating youths outside of school hours, training and employment in construction of affordable housing, public infrastructure and community facilities, and job, business, and financial management counseling.

I might say that all of these things that I have mentioned are specifically spelled out in the statute. These are not things that were developed by us in the implementation process, and they were the result of the work particularly of Congressman Rangel and Senator Bradley, and also many others who participated in that process.

If communities use the funds for the options that are listed in the empowerment zone legislation, they have some additional flexibility that isn't readily available under the regular Title XX program. For example, they can use funds to purchase or improve land or facilities to carry on the permitted activities. If they want to use the funds for the traditional Title XX activities, rather than or partially instead of the listed options in the legislation, they can do so. They have to explain why they have chosen to do so, rather than to do the activities in the legislation, but they can do so.

We want to emphasize creativity in using the funds. For example, the application says explicitly that communities can use the funds to capitalize revolving or micro enterprise loan funds for the benefit of low-income residents. Also, communities can use the funds to invest in community financial institutions and community development corporations. So it is very broad.

I would say, Mr. Chairman, in relation to the question that you asked in your opening statement, that in terms of water and sewer facilities, basic community infrastructure, that that is not contemplated here. I would emphasize in that regard that of course the enterprise communities get what is a relatively small sum of



money, less than \$3 million apiece. The empowerment zones get more, of course. This goes to the importance of very broad-based strategic planning.

This is not to say that the State or the county or private investors or donors can make money grow on trees. We know how difficult it is. But on the other hand, the notion is that the State, the county or city, the people in the neighborhood and neighborhood organizations and entities will bring together everything that they can bring to the table. And so community development block grants, for example, should be looked at, and brought to the process.

Other block grants are out there in the hands of the States. Our department has five or six of them, as you know, substance abuse block grant, child care, maternal child health and so on. All of that needs to be involved in this because we want this plan to be as broad as it can possibly be.

In addition, as Mr. Hawkins emphasized in talking about his department, all of us are looking at how we can bring other Federal programs to bear on this process. There is a program guide that goes with the application and there is in that a menu of all of the Federal programs where the departments will give some kind of special consideration.

At HHS we have said the special consideration goes not just to communities that actually get to be EZs or ECs, but also to what we call look alikes. That is to say, any community that has the same demographic characteristics in terms of high poverty, and that engages in the sort of strategic comprehensive planning that we are asking for here, could get special consideration, some extra points. We haven't quantified exactly how much extra would be given, but it would be something of value.

We have listed some of our substance abuse programs, some other public health programs, and programs in our Office of Community Services, where that sort of special consideration will be given, approximately \$111 million worth of HHS programs in competitive fiscal year 1995 grant funds, provided we get the appropriations in those areas, and about 400 million over a five-year period. So that is a very important part of this.

We are looking forward to working with distressed communities, whether urban or rural, to help them come together and make the Federal Government more user-friendly, more responsive—not just through this program, but generally. We are going to encourage applicants and others that are engaged in this type of process to look at all of the programs in our department, including those that go through the States such as the block grants that I mentioned, and we are prepared both through our central and regional offices to work directly with communities to accommodate their needs and to maximize the human and family development part of this community development process.

Secretary Shalala has personally emphasized to me and to all of us in the department time and time again, Mr. Chairman, that HHS is committed to doing everything possible to ensure the success of the community empowerment initiative, and so we are happy to be here today, and look forward to working with communities all across this country in the implementation process.



Thank you.

Mr. WISE. Thank you very much, Mr. Edelman.

Our next witness will be Michael Savage, the Deputy Director for Economic Development with the Department of Housing and Urban Development.

Mr. SAVAGE. Chairman Wise, thank you.

Last time I was in this room, I was here as staff of another committee, working with Chairman Wise and others, and I appreciate the opportunity to now testify on behalf of HUD.

We, as you know, have been working very hard within the administration to get all the implementation process together for this program very quickly after it was included in the Omnibus Reconciliation Act of last year. That has required an enormous amount of effort, and as the two previous speakers have suggested, it has been, I think, a great collegial effort between the different departments represented on the Community Enterprise Board, headed by the Vice President.

I want to also note that Department of Agriculture and HUD have worked together in a very close fashion, literally using the same computer disks to develop our rules on. You will notice that the actual form can be used for both rural applicants as well as for urban applicants. And other than those items that are specified in the statute or that are in fact different in terms of what happens in economic and community development in rural areas, our rules and essentially our approach are exactly the same.

Mr. Chairman, if it is acceptable to you, I think I would like to address the issue you raised partly through discussing the process, because I think that will illuminate some of the concerns you have expressed.

The first thing to keep in mind is that to a certain extent this will be a self-supporting process as far as the communities concerned. The plan is the community's plan.

The one thing that is absolutely clear from the statute and from the eventual judgments the two Secretaries will make is that the plan must address the interrelated human economic community and physical development needs in the community. Whereas in some paradigms in the past, the programs such as this have led with tax incentives to try to create jobs on a trickle down basis, this administration realizes we must try to create jobs through business investment at the same time addressing the human concern. And within the Community Enterprise Board, that has been extremely paramount.

The statute actually prescribes that the two Secretaries should make their decisions based on the effectiveness of the strategic plan, the effectiveness of the assurances brought to support the strategic plan, and then such other factors as may be determined by the two Secretaries. Obviously, you and your staffs can at your leisure look at the details that are in the rule, which you have in front of you.

As other speakers have suggested, we have several pieces of material that can be used by local communities in terms of putting together the packages. There is a guide book on strategic planning, which we have put one out relating to urban places. The Department of Agriculture has one on rural places. It tries to give some

sense of not how to do it, but some of the more or less kind of check points and state of the art with regard to strategic planning, starting from assessing your needs and then moving from there in terms of identifying the appropriate actors in the community, and those actors should be the grassroots people.

Mr. SAVAGE. And those actors should be the grassroots people who are involved in the process as well as the school board, the local government, all of the private nonprofit sector as well as the business sector that eventually will be brought together to actually implement the plan, so that in developing the plan, we have to be both comprehensive and inclusive.

And the first speaker emphasized the four key principles which the administration feels are critical in terms of judging the applications, and when you take a look at the rule, you will see those will be coequal in terms of the judgments the two Secretaries will make.

With regard to infrastructure specifically, because obviously in any area in which we have physical and human distress, you do have a great infrastructure need, as far as the local government or State government are concerned, of course. Within their own constraints, we would hope they would bring their own resources to bear but at the same time there are other resources available through the regular Federal funding stream, through the block grant program, through the programs of the Department of Transportation and others.

This is where a partnership comes in in terms of the local government and the State government as well as the Federal Government because, as the previous speakers have suggested, when we are actually at the point of reviewing applications, we will be looking at these applications in terms of how comprehensive is the plan, are all the problems addressed. And in addition to the who and the what, we also have the who pays for it. And in many, many cases, we will find that a potential source of funding is either a State-funded program or a program that passes through the State.

And therefore, in terms of the effectiveness of the plan, we will be looking for the administrative procedures that have been established to actually carry out the plan. For example, as Mr. Edelman suggested, the SS title 20 plan, which is a block program administered through the State, we would expect to see in the actual plans the administrative cooperation evidence between the local social service district and the State.

The same would be true if you had some JTPA money, some State CDBG money, almost any kind of money in which there is a State presence, very likely the State can either sign off on the nomination on a pro forma basis or it can genuinely join in the application.

And that is a point I wanted to make that in the application process itself, the application does have to be joined by both the local and State government and, in addition, if there are as we would expect in most cases, participating entities be they local nonprofits, grassroots citizens groups, foundations, any of the number of community support organizations who may be part of the actual

process, we invite and in fact want to see in the application the evidence of those participating entities.

The application can be submitted for either empowerment zone designation with the understanding that if it does not receive empowerment zone designation, it will then automatically be considered for enterprise community designation. On the other hand, if a community chooses to submit for a enterprise community status only, that would be its choice and it would not in any way be penalized by that decision. Other than the specific incentives that are provided, there is virtually no difference as far as we are concerned between the empowerment zone and the enterprise community.

Also, as Mr. Edelman suggested, the position of the administration is that we want the process itself to be useful for the communities that go through it and we certainly intend at the end of process that it will identify other ways in which the Federal Government can be helpful to the communities, whether they are designated or not.

And, Mr. Chairman, with regard to the issue of infrastructure specifically, in the Federal guidebook which does have a listing which is only a partial listing of the potential Federal assistance that can be brought to bear, as you may know, HUD specifically has now set aside \$500 million of Section 108 loan guarantee program funds to be used in support of empowerment zones and enterprise communities.

In the 1995 budget, we have presented a proposal for a new economic revitalization grant which could be used to support activities in zones and in communities, as well as a new, totally new program of \$500 million in grants specifically targeted to empowerment zone and enterprise communities. One of the sets of activities that could be carried out through that funding would obviously be one form or another of infrastructure.

One point before I close, because this does border a little bit on the Department of Agriculture interests with regard to the community development block grant. First of all, funded at the approximately \$4 billion level last year and hopefully for next year, that is an extremely important source of funding but it is a local source of funding. It does require prioritization by the local governments and those that can use the funding for many different things.

But this is one of the things we will be looking at in the applications, not just for CDBG, but for other potential resources. If there is a need identified, if the need could be identified through a resource available to the community such as CDBG, small business incubators, funding for paving a street or building a bridge perhaps some place, if it hasn't used its CDBG funds, we would take that evidence that the community is not fully in back of the program and they, obviously, will not get as much consideration as if they did really come forward with that resource.

The State's CDBG program is virtually entirely within the control of the State government. And when the States are considering support, and we have EZs or ECs proposed by rural communities within a State, we would certainly expect again to see the State giving some sort of priority to the State CDGE to support those applications.

Mr. Chairman, I think I will close. I would be happy to answer any other questions. I know a lot of your staffs have in the past asked questions about noncontiguous areas and the poverty rates and things like that. I would be happy to answer any questions.

Mr. WISE. Thank you very much, Mr. Savage.

The next witness will be Michael R. Wenger, the States' Washington representative for the Appalachian Regional Commission. And Mr. Wenger, it is good to see you and we certainly appreciate all the help you have provided us this week in looking at empowerment zone and enterprise community legislation and how it is implemented and particularly its role in the Appalachian Regional Commission.

Mr. WENGER. Thank you very much, Mr. Chairman. Let me say two things at the outset. First, I appear here as the States' Washington representative for the Appalachian Regional Commission representing the interests of the governors in the 13 Appalachian States. While I suspect the Clinton administration will not object to anything that I am about to say, I need to make clear that I do not speak as a representative of the administration.

Second, before going any further, I want to thank this subcommittee on behalf of the 13 current governors and those who have preceded them in office during the past decade for your strong support of the Appalachian Regional Commission. Without your willingness to support in a bipartisan manner ARC reauthorization legislation in every Congress since fiscal 1982 including H.R. 2442 in this Congress, our survival would have been much more difficult.

We recognize your commitment and we are grateful and it is, of course, a special honor to appear before a subcommittee led by you, Chairman Wise, whom I have known and admired since well before your days in Congress.

Mr. WISE. You do have a way with words, Mr. Wenger.

Mr. WENGER. Let me say that we strongly applaud the EZ/EC initiative. It is an initiative which recognizes that governments can help, can be a catalyst, can provide some government resources, can offer technical assistance and guidance. But government can be most effective when there is local leadership, local commitment, local resources, and ultimately local responsibility.

Second, let me say that we are proud that this initiative builds on some of the lessons we have learned at the Appalachian Regional Commission, that government programs work best when they encourage partnerships between Federal, State, and local governments, and between the public and private sectors, when they are a product of a bottoms-up planning process, and when they reflect the flexibility necessary to meet the varying needs of differing communities.

Tomorrow in Charleston, as you said, is the first of a series of Department of Agriculture workshops designed to help potential rural applicants understand the legislation, the regulations, the application process.

These applicants will face a daunting challenge, to work together across political boundary lines and with a broad cross-section of the overall community to prepare a 10-year comprehensive strategic plan which creates economic opportunity and sustainable community development through the use of community-based partnerships

and within the framework of a strategic vision for change, to do it well enough to get one of the three empowerment zones or 30 enterprise community designations in rural areas and to do it in less than five months.

For rural communities which generally do not have the financial or human resources technical assistance, partnerships, et cetera, that frequently exist in urban areas, it is a challenge so daunting that it is virtually paralyzing.

USDA will of course offer substantial assistance, but they will be spread thin. Appalachian communities, we believe, will have an advantage, thanks to the foresight of this subcommittee and the Appalachian Regional Commission.

During our 29 years, we have focused considerable resources on building local government capacity to respond to opportunities such as this. The network we have created of State development planning and local development districts throughout the region puts Appalachian communities in a position to be creative and innovative in responding to the opportunities provided by this initiative.

Also, we have reserved a total of \$200,000 from our co-chairman's fund to assist States or a State-designated technical assistance provider in the preparation of applications for empowerment zone or enterprise community designation.

The money can be used to host workshops or informational meetings, train local leadership, provide technical assistance and data, and do whatever else may be necessary in the preparation of applications. Also, as you have mentioned, we have prepared maps for each of our 13 States showing the areas that meet the poverty rate requirements for eligibility.

We have held two briefings for State officials on the legislation and regulations and, as you mentioned, participated in a workshop in Charleston which you sponsored, and we are in a position to assign members of our staff if necessary to provide on-site technical assistance in the preparation of applications.

But this is only the beginning. It will be an equally daunting challenge for rural communities to implement their strategic plans. And while we cannot make any further commitments until the confirmation of our new Federal co-chairman, hopefully within a matter of days, we have been exploring ways in which we can help both successful and unsuccessful applicants in the implementation of their plans.

Let me emphasize that we think it is just as important to reward unsuccessful applicants for the effort they will have expended as it is to help the successful applicants achieve their goals.

The ARC is in the unique position of being able to provide funds for both physical infrastructure and human resource development. Among the possibilities for successful applicants.

1. We could consider a special allocation of fiscal year 1994 funds off the top to be matched by State allocations of ARC funds to be used for a variety of activities.

2. In future years, we could consider a special allocation of funds for any area that qualifies as an enterprise community whether or not it actually receives such a designation.

3. We can provide continuing technical assistance directly or through local development districts as communities implement their strategic plans.

4. We can help evaluate a community's progress in implementing its strategic plan.

5. We can bring representatives of enterprise communities in the region together on a regular basis to share ideas and compare progress.

6. We can be advocates for enterprise zones in the region when the need arises with banks, foundations, legislative committees, academic institutions, the media, public interest groups, and the like.

Other possibilities, I am sure, will arise once our new Federal Co-Chairman is in place.

Let me emphasize that we can make no commitments yet. That is for our 13 Governors and our new Federal Co-Chairman to decide. But we can make one promise, and that is that we will help the communities of Appalachia meet the challenge ahead. We will help them overcome whatever obstacles they may face if they are willing to undertake the challenge.

My written statement contains further comments concerning the guidelines developed at the USDA and, in general, I applaud their vision, their commitment, their flexibility, and in particular, their insistence on teamwork at all levels.

But I would like to digress here to tell the committee a story. It is a story about planting the seeds of change, about rural empowerment. It is happening in Wolfe County, Kentucky, Kentucky's third poorest county, population 6,700, unemployment rate 13.2 percent. But it could be happening in Clay or Webster Springs or in any of the hundreds of distressed rural counties in the country.

The ARC helps to support the leadership development program called the Brushy Fork Institute at Berea College at Berea, Kentucky. It brings people together and helps them to plant seeds of change. It encourages them to do small projects through which these seeds blossom.

About two-and-a-half years ago, seven women and one man from Wolfe County attended a training workshop at Brushy Fork. They didn't quite know what they were getting into, but they had a vision that they could develop some tourism trade in the county due to the county's proximity to Daniel Boone National Forest. Their first project following the workshop was to set up a harvest display near the courthouse in Campton, the county seat, and to hang Christmas lanterns on Main Street's utility poles.

There were skeptics who assured them that vandals would tear down those lanterns but, in any event, they incorporated as Homegrown Development, Inc. They got a seedling grant from the ARC. They raised additional money on their own and they bought 18 lanterns for \$2,000. It was then that they discovered that the Main Street utility poles were not wired for electricity.

So after some initial discouragement, they got the manager of the local rural electric co-op to send men and equipment to wire the poles. These men did most of that work on their own time in order to get the job done in time. They got the job done, people

came home from the cities for the holidays and were really impressed. There was no vandalism.

So, flush with their success, the following spring they organized volunteers to pick up litter along a creek running through town. The Soil Conservation Service helped with dredging and some other improvements, and among the volunteers they recruited were men who were working off fines for criminal misdemeanors.

Well, it turns out that much of the litter that they were cleaning up had been cans and bottles tossed from a bridge where unemployment men congregated. No surprise, these were many of the same men they recruited to work off the fines. So no surprise, since those men helped clean up the litter, they have taken a personal interest in keeping the creek clean since then, and there has been no more litter.

Buoyed by that second success, Homegrown Development Inc. organized new projects—an interfaith evening of caroling, home decorating contest, street corner flower boxes made by high school students from donated barrels, conversion of a downtown lot into a mini-park and others. So far, they have received two seedling grants of \$3,000 total and have raised an additional \$7,000 in local funds.

Now they are meeting with the U.S. Forest Service to locate an alternative route into Daniel Boone National Forest beginning at Campton. They are planning a nature trail for thousands of tourists who come to the forest annually. And they are working on a spring festival which they hope to begin this spring.

I tell you this story to illustrate what I believe to be the appropriate role of the Federal Government in economic development: To be a catalyst, to plant seeds of change and to fertilize them with flexible resources and teamwork. ARC's role is to support leadership training and to provide two grants totaling \$3,000. Local leaders, given the training and the flexibility to use limited resources in a manner they felt best and with Federal agencies like the Soil Conservation Service and the U.S. Forest Service as team members, local leaders have done the rest.

That is what this program of empowerment can do. It is no panacea. It will not bring change over night. Clearly, we need more resources. But community by community, it can plant seeds that will, with time and proper nurturing, blossom.

To use a well-worn but appropriate cliché, it is about giving people a hand up not a handout. The ARC will continue to try to do just that, working in partnership with Federal agencies, States, this committee and most importantly local communities.

Thank you very much, and I would be happy to try to answer any questions.

Mr. WISE. I appreciate your testimony, Mr. Wenger.

Our final witness represents the United States Department of Agriculture, Mr. Peter Necheles, the special assistant to the Under Secretary for Small Community and Rural Development.

Mr. Necheles.

Mr. NECHELES. Thank you, Mr. Chairman, and Members of the committee. First off, I would like to thank Mr. Wenger very much for that story. I think it illustrates the benefits of this program in rural communities. At the USDA, we recognize that many of the



rural concerns are quite different from urban problems and require a different approach, and we have been very active in putting this program together to ensure that rural communities will be able to be successful.

Today I would like to make a couple of brief comments on the rural part of the program. As Congresswoman Norton stated before in her opening, there is a great need for assistance in rural communities.

There is no simple solution to rural poverty. Traditional welfare programs do not provide a means for the poor to escape poverty. Education and training programs cannot guarantee jobs to the disadvantaged. Local job creations do not assure that unemployed residents will get jobs. Only a coordinated program, something of the same sort as the empowerment zone program, has a chance to link each component from welfare, housing, infrastructure, public safety, to training and job creation.

All of these items together give communities a chance to break out of the cycle of poverty and stagnation.

In the rural component of the program, the Department of Agriculture will designate three empowerment zones and 30 enterprise communities. Each has a population of no greater than 30,000 residents and may be in a size no larger than 1,000 square miles. Applicants will compete for zone designations based on the quality of their strategic plans and the commitment of the participating entities in support of those programs.

These strategic plans should be realistic and tailored to individual community needs, goals, and economic potential. Innovative comprehensive plans that build economic self-sufficiency and include significant involvement of low-income residents and local organizations will be the ones that receive preference in our review process.

The U.S. Department of Agriculture has put together a number of regional workshops to explain the program over the month of February. As the Chairman noted in his opening statement, the first one will be held in Charleston, West Virginia. The Department is very appreciative of the assistance from the Chairman and his staff in organizing this workshop.

We expect in most of our rural sessions to have over 600 people attend. We think that these sessions provide an excellent opportunity for people in the community to come together to hear about Federal programs, to hear for the first time about this program, and to really get a start.

And as Mr. Wenger mentioned, there is a concern in rural communities that there is not a sufficient capacity in many communities to go out and start putting strategic plans together. The program was announced on January 17th and applications must be submitted to the Department of Agriculture and the Department of HUD by June 30. We realize this is a short time frame and what we are trying to do with each of these workshops is to provide as much information up front as possible.

These regional workshops will be held throughout the country. Additionally, USDA has appointed an employee in each State who has been trained for this program. These employees have information to assist with communities, and their names are all included



in our rural guidebooks and in our regulations and our notices that we have already filed.

We also have an 800 number that we are encouraging people to use. We are going to be putting our program on Internet. We are hopeful that universities and foundations in rural areas will be able to communicate back and forth with us and get more information on this program. All of these are combined in our effort to the greatest extent possible to get information about this program out and to provide as much assistance as possible up front.

USDA has also prepared a rural guidebook that really goes to the strategic planning process. We have just received these books from the printer and we will be supplying copies to this committee.

The guidebook itself provides examples of how to put together a strategic plan and also provides resources, and places where people can get in touch with resources. An excellent example of the partnership in helping communities out has been the assistance provided by ARC. They have assigned an individual to work with us at USDA to put this program together and, as Mr. Wenger stated, ARC will provide technical assistance to regional communities.

We have also gone out to a number of community groups. Freddie Mae has come in and said they will be providing assistance. Farmer Mac has come forward and said they will be providing assistance. We are going through the community and trying to find government-sponsored and nonprofit enterprises to help out this program. It is really a team effort. It is not just USDA and HUD. It is the whole Federal Government. We are very, very pleased with the response and assistance we have gotten.

One of the items that a community should do is to submit, at the very beginning of the process, an intent to apply. There is a form that is located in the application packet. If they will send this "intent to apply" form back to USDA and back to HUD and this will provide both agencies with an idea of who is applying and who is interested in our program. That allows us right up front to get back to these communities, give them all the documents that we have and stay in touch with them and help them through the process.

As I mentioned before, we need to receive all applications by June 30. And following the designation by the Secretary of Agriculture and the Secretary of HUD, these selected communities will have ongoing assistance from both departments. We will be reviewing their progress on a periodic basis, and we will be providing additional assistance ongoing.

To conclude my comments, I would just like to thank the committee very much for an opportunity to discuss this important program. I will be happy to answer any of your questions.

Mr. WISE. I appreciate the gentleman's testimony. Let me go to Mr. Edelman for a quick question and then on the specifics of what Title XX money can be used for and then I am going to talk—the rest of my questions will deal pretty much with the coordination.

Mr. Edelman, as I understand it, it is Title XX money, but with more flexibility when used for the empowerment zone program than would be if it were ordinarily—were ordinary Title XX application. You have said that some money could be used for infrastructure if it is in conjunction with a suitable use for Title XX I believe was roughly the description there.

Do I read that to mean, for instance, if you were building an additional room for job training or you were building something that dealt with child care or day care or some sort of educational program that that might be acceptable?

Mr. EDELMAN. In two respects Mr. Chairman, yes. First, let me back up and say I hope it is clear that this operates quite differently from the regular Title XX where the State Department of Social Services simply makes a plan for the whole State. Here this money must be used either within or for the benefit of the EZ or the EC, and the proposed uses will come in as part of the application.

The Title XX planning will be done at the same time, and if the application is approved then, by definition, the Title XX, the special SSBG use, will be approved at the same time and the money will flow. In the case of the empowerment zones, it will flow in two installments—one, on the date of designation, and the other on the first day of the next fiscal year. In the enterprise communities, it will flow in one installment.

To answer your question specifically, one of the program options talks about funding programs to provide training and employment for disadvantaged adults and youths in construction, rehabilitation, or improvement of affordable housing public infrastructure and community facilities. So if you are training and/or employing residents of the area in the construction, rehabilitation, or improvement of public infrastructure, those activities could be funded with the SSBG, the special SSBG money. That is one answer.

Second, I mentioned that the funds can be used to purchase or improve land or facilities, and that would be land or facilities in relation to approved activities. For example, it talks about providing support for residential drug and alcohol prevention and treatment programs, so the funds could be used for construction in relation to a facility for that. So, in both of those respects, yes, the funds can be used for infrastructure.

Now, what we would like to see is that the funds go as far as possible. That is to say that if it is at all possible to structure some kind of revolving fund, some kind of leveraging, especially with these \$3 million chunks, so that it spends out over a period of time, it is more like an investment than just spending the dollars here and then they are gone. To the extent that communities could imaginatively do that, that will count a great deal in the approval process.

Mr. WISE. But I am not going to be able to get from you as part of my overall strategic plan, and all of the aspects of Title XX are very important and I don't want to in any way appear as if I am slighting them, but I am not going to be able to get from you a small business revolving loan fund, I don't think.

I don't think I am going to get from you a water or a sewer line that goes to an industrial park. I don't know that I am even going to get from you a water or a sewer line that alleviates a hard-hit rural area that has a health hazard because of inadequate sewage disposal, and then everybody is on wells and the wells have increasingly grown harder to drink because of acid mine drainage or long-ago gas drilling. I don't think I get any of that from Title XX, do I?

Mr. EDELMAN. You get it in a couple of respects. Number one, the application, as I said, specifically says you can use the funds for capitalizing, revolving, or microenterprise loan funds. So on your first point, it is there.

Now, it seems to me that one would want to combine that, one would want to work across the government and the SBA and other sources.

Mr. WISE. We are going to. I just wanted to find out what I can get from you.

Mr. EDELMAN. You can use the money because you are promoting economic independence for low-income residents. That is why you can do that. Secondly, on the water and sewer, if you are employing the residents to do that work, to that extent you could get some of the funding of the water and sewer work covered. That is, it would pay for employment. It is limited, but that is also possible.

Let me also emphasize that we are able to be available to answer questions about all of these things about communities.

Mr. WISE. You had better put in about three 800 numbers to handle those questions. When that money comes, an interesting point you alluded to, does it come from the business delivery system, namely the State Human Services Network, or does it come from the Department of Agriculture or Housing and Urban Development?

Mr. EDELMAN. It comes from the Department of Health and Human Services to the State but then it passes through the State on out to the EZ or EC.

Mr. WISE. My concern—and this concern was raised in our conference as well—is we have an excellent Department of Human Resources in West Virginia but they are not skilled in development, and so to the extent that this money has anything to do with that, is it coming through those traditional administrative mechanisms or does it come through, say, the West Virginia Development Office?

Mr. EDELMAN. It would come through—but this is more of an accounting transaction. In other words, the planning has been done by the local partnership and they have been working in conjunction with the county or the city, as the case may be, and of course, as you know, the zone or community has to be nominated by the State and for the urban ones by the city by the municipality and in the rural ones—

Mr. NECHELES. It is the same nomination process. It is just a question of who the applicant can be.

Mr. EDELMAN. That means there has got to have been a partnership in the planning process because the relevant governments are going to be very interested in what the activities are. But it is not the State Department of Human Resources that is going to do that planning, it is that people in the community in the partnership. The question you are asking really is only about a kind of a book-keeping, about a funding flow, it is not about who is actually doing the planning.

Mr. WISE. It is not the planning, sir. Who is handling the money once the designation is made? Say we are successful in my area and we have a successful application for the next two years, two

to 10 years, because that is how long the program runs, who administers that money coming from your agency?

Mr. EDELMAN. The State obligates it. The only thing that has to be watched with some care is the statute says the State has to obligate it within two years of receiving it. So there is at least the potential for some slippage there and everyone is going to have to watch that very carefully.

The funds will actually go to the recipient entities is at the local level. They will get the money and they will be accountable for it and it is the State Department of Human Services that is accountable to the Federal Department of Health and Human Services for making sure that money was spent properly but the actual accounts will be accounts in the name of the local entities.

Mr. WISE. Mr. Necheles, you mentioned that the communities applying to the Department of Agriculture could file an intent to apply?

Mr. NECHELES. That is right, for both rural and urban.

Mr. WISE. All right. Now, as I understand the regs and the law, ultimately, while application is made to you or to HUD, it must come through the State or I believe there is—

Mr. NECHELES. State Chartered Economic Development Corporation.

Mr. WISE. But my point is this: Can any community go directly to you for the intent to apply but later on, they have to be able to get the State to sign off in order to make their final acquisition?

Mr. NECHELES. Exactly. It is a preliminary notice to us.

Mr. WISE. You don't ask the State to approve their intent to apply?

Mr. NECHELES. No. We are trying to get a sense on which communities are out there interested in the program. And, for example, if there are areas of the country where there does not appear to be interest coming, we will contact the local employed to encourage additional outreach and provide assistance to everyone who is interested?

Mr. WISE. Mr. Edelman has been very kind and has gotten me about as far as he can, I think, with HHS. I am farther than I thought, to be honest with you. I am glad you stopped by and now I am going to turn to the other panelists and say, how do we coordinate the infrastructure part?

Mr. Savage, I apologize. We don't get to work with HUD as much in Clay County as I ought to—as we would like but I do know Farmer's Home a little bitter. So, how, for instance, is the coordination with Farmer's Home with RDA and then in turn, Mr. Hawkins could now/EDA get the SBA involved?

Let's assume I have got a water line that is an integral part that has to run to an industrial park and is an integral part of our strategic plan. Do I make an assumption in my application to you? Is there something that automatically triggers if that application is approved and the Farmer's Home knows that it has got to be looking at that and perhaps even in preference to something else?

How do we coordinate the additional infrastructure besides what can come from the Department of Health and Human Services?

Mr. NECHELES. In the review process—and this is going to be similar or identical—HUD and Agriculture are having an identical

review process. We will have representatives from each of the Federal agencies with us when we are reviewing the applications, and there are parts of the strategic plan, for example, that use labor dollars or education dollars for programs.

Those agencies will take that application back and have an internal review process. At the same time, we will have up to 12 different employees reviewing the applications and ensuring that if we will approve it for a rural one and we will approve a rural designation insuring every aspect of this strategic plan can be approved by the relevant agencies and departments.

Mr. WISE. So if I put in there funding for a water line, and let's assume the State raises its share and the community is going to put in a local share, but it knows that it needs Farmer's Home's dollars in there, if that application is approved, then is it—then I assume automatically that my Farmer's Home application will be approved for that water line?

Mr. NECHELES. That is correct, provided they qualify for the program and the funds are available.

Mr. WISE. Is that the same with HUD?

Mr. SAVAGE. Mr. Chairman, no, that won't be quite the same. In the application form itself, one of the supporting documents is identification of the different agency's support that may be expected. Now, as we all know, in many of our programs we no longer have discretionary funds. They are simply a formula for those in the community. CDBG is probably a good example of that.

But for any program for which there is some possibility of discretion, that would be listed and then awarded to the HUD programs. We will have an outreach process through our own field offices to assist communities to try to complete a strategic plan. And where a HUD program is appropriate, then that would be identified.

We have identified in our section of the Federal Assistance Guidebook a number of applications, a number of programs, including some of the homeless programs for which some level of special assistance, be it points in a competition or some special assistance in terms of technical assistance will be provided.

Frankly, it is different by program, but that is really the idea of this whole process, is that the infrastructure needs are really identified as part of the strategic plan in terms of response to the need. The Federal response will come both in terms of planning as well as in the delivery.

Mr. WISE. Mr. Hawkins, how—because USDA and HUD are the ones making approval on these applications, they have a unique role, but then what if I want—what if Farmer's Home is not the best avenue to go, and I believe that EDA is? I referenced that in any strategic plan and in my application.

Now, when the Department of Ag or HUD reviews that application, is something sent over to EDA to see whether they concur that they could fund that piece of it? Is EDA brought into this process that way?

Mr. HAWKINS. Mr. Chairman, the Economic Development Administration through the Department of Commerce is designated to co-select with the Secretary of Agriculture the rural communities that will be a part of the process. But to answer your question specifically, just because a community is selected does not automatically

mean that it will meet the funding criteria and guidelines for a specific agency's programs.

In the cases of the Economic Development Administration, if in fact a community was selected and is not a part of our designated community, then we would need some type of special authorization to meet that community's needs.

Likewise, if in fact a community is an eligible recipient, they would work through our regular traditional programs or already have perhaps in having their planning development district or regional council designate them as eligible. So on one hand, we have a number of communities that are eligible for EDA resources. But we may or may not have an area that is eligible as a result of this process, and that is the question mark yet to be determined through its selection process.

Mr. WISE. I appreciate it. I am going to step back now. I have taken far too much time and I apologize to my colleagues. There may be another round of questions.

I am going to close with this. Mr. Hawkins, you touched on this but others have referenced it. First of all, I read this program as encouraging communities to think for the first time about how they can empower themselves and how they can start planning to get themselves out of the ditch they are in.

There are going to be a lot of communities going through this strategic planning process. Particularly in its first round, I think it is very important that a couple of things happen to the extent that this—I have anything to do with this subcommittee reviewing that and having oversight over it, I am going to do that.

First of all is, these communities should be encouraged to be involved. In States, I would encourage them to get that word out as opposed to simply letting the process roll along and maybe a community or two pops up.

The problem is that this program has moved so fast. It is only since August it has been enacted. I don't think the word is out there in a lot of communities. I am not just referring to where I live and work, but my impression is that that is probably true nationwide.

But the first thing is that a community should be encouraged to apply because this is the first means they have had, first incentive they have had to pull together to do this kind of planning. Second thing is, they should get support for that strategic planning, and each of you have touched on that in a way. Both are support for you. But once again you in turn could be encouraging States to encourage these communities to apply.

You know, you are making a lot of work for the lower level? You are making work for folks at the State level. You are making work for folks at the local level. I want to make sure, as we are asking them to spend a lot of time to come to community meetings and to reach across to each other, that we are not asking them to just engage in another exercise. Because, if we do, we are going to dash a lot of hopes.

The third is, and Mr. Hawkins you touched on this. You actually didn't touch on it, you dealt with it directly, and that is the communities that aren't affected, we can't leave behind. They have gone through this exercise. Now, they are better because of it be-

cause they have a strategic plan. But if all that plan does is sit on one's shelf, that doesn't do much good.

We are looking at in our area, and maybe also others are going to do the same, saying, all right, if you don't get this designation, that doesn't mean all is lost because USDA and HUD had a limited number they could designate. You still have got a plan that calls upon EDA, that calls upon SBA, that calls upon Farmer's Home and HUD, and all the others. So we are going to include those agencies to be involved in working to implement those strategic plans, even if there is not an EZ/EC formal designation.

And maybe if this program is successful and it is expanded in years to come, they will be able to get back in the line and get it a second time. So I view this as a process that is important to you. Encourage communities to get involved to do the strategic planning to assist them in doing it, and even if they get the designation, that they will continue to work with them and help them fulfill this strategic plan that all of us in this room encourage them to formulate.

Thank you. I apologize, and I will turn to Mr. Barca.

Mr. BARCA. Thank you, Mr. Chairman. I want to follow up on that same line of questioning, if I could.

Mr. WISE. If I could, I have got Mr. Kim over here who has been waiting patiently.

I turn to the gentleman, Mr. Kim.

Mr. KIM. Thank you, Mr. Chairman. I appreciate that. I would like to ask a couple of questions. The way I understand it, there are nine EZs and 95 ECs. Out of that, I understand three of the EZs are allocated to USDA, and the remaining 30 ECs are allocated to USDA because they are considered rural area. The remaining urban areas are, again, handled by HUD. Okay.

DHHS has also set-aside almost \$1 billion for these EZ, EC, SSBG programs. On top of that, you have got \$100 million set-aside for urban areas and \$40 million for rural areas. In addition to that, you have—under the HUD Section 108 program—you have \$500 million earmarked for this loan guarantee program under the EZ/EC program.

Mr. Hawkins stated that EDA has spent \$30 million, but you know how: Planning and coordinating. I understand that under this complicated situation, any area to be considered for EZ and EC status must be nominated by their State government.

In order to prepare the application, the applicant must prepare a complicated and comprehensive planning coordinating plan.

EDA will prepare some kind of planning and coordinating and so too will the applicant. I see a really incredible nightmare. I see overlapping problems, and duplication of effort. Could you explain to me how you are going to coordinate this complicated, grand system that each State will have to manage?

One applicant might be okay for one area; but could it be denied by another agency? Could you explain how you are going to coordinate this? That is my first question. I will have another question later.

Mr. SAVAGE. Congressman Kim, let me try a shot at that. The first thing is this: Of course the plan is the community's plan because the plan essentially reflects the problems in the area. It re-



flects the human problems, it reflects the infrastructure needs. It reflects the education deficiency. It reflects the drug problems. It reflects all of the combination of problems that are typical in communities that you all represent, so that the plan is brought by a combination of local government, the State government, the board of education, the local foundations, the local community action groups, the CDBGs, all the folks who are parties at interest.

And, also, I have talked with since the bill passed this month and couldn't tell you how many communities and representatives from the communities, large and small. And I have also been in this business a few years. I think it is very unlikely that in any of the districts you all represent that people woke up this morning and realized that they had a problem that they had been perhaps dealing with at the Federal, State, and local level for years and years.

And I would say, in effect, the empowerment zone and enterprise community is an attempt to recognize the interrelations between those problems and to deal with them on a coordinated basis. So the first answer to your question is that it is a local plan dealing with a local assessment of problems, marshaling the resources, including those that are already at play in most of the communities.

We are not in any way suggesting that a totally new strategic plan has been thought up out of thin air to deal with problems in the area. We would think that is in fact very unlikely. We hope the communities will build upon their own strengths in terms of both people and in terms of analyses that have been brought to play before, in terms of resources that are available.

Let me come to a full stop there because I think the question you were asking then is how is the Federal Government going to respond. Well, this is a little bit like the difference between the NFL preseason and regular season. Right now, between the time the two Secretaries designate the zone, we are in the preseason. Once the zones are selected, that is when, frankly, sir, the rubber will hit the road.

All I can tell is that under the Vice President's leadership, I have seen extraordinary cooperation between the different Cabinet departments who are going to play a part in it. They will have mechanisms established, to be sure, that in the review process, if there is a support from the Department of Transportation or the Department of Education, that that will be vetted but that will be included as part of the obligations for that strategic plan to be approved.

Once we get these approved, we are going to create a set of interlocking administrative coordinations between the different agencies both in the field and in Washington to try to be sure that it is a deliverable system.

I will say to you, sir, honestly, this is in the future, but that is our intention.

Mr. KIM. Thank you. My second question is for Mr. Edelman. You stated that under this EZ/EC block grant fund, that money can be used to capitalize microenterprise loan funds for low-income families and enterprises. An identical program exists under the DBE program, it seems to me almost identical.

Now, what is the difference, can you explain it to me?



Mr. EDELMAN. We would suggest that people at the local level work very closely with the SBA and we will facilitate that. When I report to you that this is allowed, Congressman, this is allowed by the legislation and if Congress in the oversight of these programs decides that the programs ought to be merged or that there should be greater connection than in fact turns out to be the case, that can of course be legislated.

We are very aware of SBA's programs. We have worked very closely with the Small Business Administration in the implementation process. Erskine Bowles and his colleagues at the SBA have met with most of us repeatedly so that the information is out there to the local community and will be out there in a way that they can make use of both of these possibilities in a coordinated way.

Mr. KIM. Well, it seems that almost every agency is involved in this EZ/EC program. Why is the SBA not involved in this program?

Mr. EDELMAN. They are very much so.

Mr. NECHELES. SBA will participate in outreach workshops, both for rural and urban.

Mr. KIM. Is that all they do, workshops?

Mr. NECHELES. No, that is one part announcing the program and going out to rural areas and urban areas and explaining what the program is about. SBA will be involved in this educational effort. Most of the agencies are actually going out with HUD and with Agriculture across the country to explain the program.

Mr. KIM. If you are CDBG and located in an EZ or EC, then what happens? And small business, do they have any special treatment on that?

Mr. SAVAGE. Yes, Congressman. The administration intends to establish what they call a one-stop capital shop in at least 12 of the zones and communities that they will actually provide special assistance, hands-on assistance from SBA that will no doubt serve as a magnet to help other small businesses in the community. That is a role that SBA will serve in the empowerment zones and communities. That will be a center to which the businesses will be able to come.

Mr. KIM. If you have a small business classified under the SBA program and also happen to be in this EZ/EC zone, what happens then?

Mr. EDELMAN. If you were in one of the places where the SBA is going to establish initially one of the 12, you would have a one-stop place to come to to understand all of the options to small business. Otherwise, there are these two possibilities where there previously was only one for enterprises in those communities. Of course this will occur only if the EZ or EC decides that this is something that they want to propose to do with the social service block grant money. It is their decision at the local level. It is not something that exists in the abstract.

Mr. KIM. Thank you.

Mr. WISE. Thank you. I recognize the gentlewoman from the District of Columbia, Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman. I should begin by making a disclosure. I certainly want an empowerment zone so that nobody will have any illusions that I speak objectively.

Mr. WISE. I think there are enough zones as represented by Members here, enough zones to go around.

Ms. NORTON. Well, I certainly want you all to know and have advance notice that I intend to struggle hard, that the capital city of this country suffered so much over the past decade, it can't catch up.

I know that it is going to be real tough, hard to choose empowerment zones, given the pressure you are going to get from Members.

Let me move first to a question that comes out of the experience of seeing what has happened with some of the money appropriated by the Public Works Committee. We have worked very hard on the surface transportation bill. During the last five years, all the noble economists said that the best way to stimulate the economy—to get jobs where they were needed—was, of course, to do infrastructure, and surface transportation has allowed a fair amount of that to occur.

Imagine what it would be like in an empowerment zone or an enterprise community. I have this vision that if in fact we do attract businesses, small or large, to these communities and, frankly, that is counterintuitive because there are a lot of risks in going where there is not anything near a world-class economy, that what they will find is a dearth of resources that will give them the kind of work force they need.

So let me ask you about the one that bothers me most. There was an apprenticeship program in this country. It was worked through contractors and unions. It produced many African-American, and other people of color, apprentices and women apprentices. These are high-paying jobs. You can't get them if somebody isn't training you.

I just want to know how important is the job training component? And is the apprenticeship program that for the first time broke through the old discrimination in these craft jobs going to be revived? And are similar programs going to be revived so that people can tap into them?

Otherwise, I am going to tell you, I really am going to wonder if we are going to be spinning our wheels. And I think the whole point was to employ people who live in these communities.

Mr. HAWKINS. Ms. Norton, if I address your question or at least attempt to, I think it is incumbent upon the local applicant to put in place measures that would ensure not only employment, but business opportunity to come back to their community as a part of the process.

Certainly, with the designations, there will be special attention given from the Federal and certain incentives in place for the private sector to locate to the areas and, in fact, some of the private sector companies that locate to the zones will in fact find it very profitable to be in communities.

But I think when you talk about local preference or if you talk about business development and a percentage of the developmental trade going to local companies, those companies that are indigenous to the area that is selected, that is something that shouldn't be a part of the application and should be supported by all of the Federal partners as a precondition for the funds.

Ms. NORTON. I have a very specific question. If in fact you wanted to do what Peter Edelman tells us that Title XX will allow you to do, to do some investment in capital improvement, for example, is there going to be Federal money for apprenticeship training, because we do not have in our communities today young men who are trained to be hired to do that job. And it will only be possible if there is Federal money of the kind that was available for apprenticeship programs through the Federal Government in the past.

Mr. EDELMAN. Ms. Norton, are you asking about programs other than this program?

Ms. NORTON. You have said that there would be other Federal programs that one could tap into. I am giving a prime example of a program that a local community might want to tap into and I am asking if it is going to exist?

Mr. EDELMAN. If I could answer first in terms of the residents of the local community being hired, the tax incentives are only available for the hiring of residents. Now, that doesn't get to your apprenticeship question.

Secondly, in terms of the Title XX money, the special Title XX money, being used for job training and for work experience programs, it is very much at the heart of it, when you have a chance to look at the application. Not apprenticeship as a term of art, but certainly work experience that leads to self-sufficiency. So that is very much at the heart of the strategy here.

But, of course, the resources here are relatively limited. And one needs to add together the rest of the strategy. You have both the existing apprenticeship support that is in the Labor Department, and very importantly, as you know, the administration's School to Work legislation which was developed by Secretaries Reich and Riley. This is pending here in the Congress, and it contemplates a kind of modernized apprenticeship, if you will, broader than a trade union kind of apprenticeship, that would involve school systems all over the country, in effect, in adopting cooperative education. That is work experience for young people who are in most cases not college bound, but which will help them get into the labor market effectively. So that is a major part of this administration's strategy complementary to the EZ/EC program.

Ms. NORTON. I was aware of course that there was job training that is going to be possible. I expect that that is going to be the kind of job training, frankly, that there is a lot of criticism of.

Mr. EDELMAN. Well, I don't think you should expect that, Ms. Norton. Because this is to be developed by the local applicant, by the local neighborhood working in partnership.

Ms. NORTON. I understand that. And I am sure that there is going to be an attempt to meet the world-class needs of the employers who are there, and I just want to express my doubts right here.

One of the few apprenticeship notions in this country, training notions in this country, that has worked, that hasn't been completely savaged, is the apprenticeship programs that were on site, run by companies and unions in the 1960s and 1970s. Almost everything else has been absolutely trashed as having ill-prepared people for jobs.

I just want to indicate just for the record that I think those programs which allowed high-wage jobs for young men in inner cities

and young women to come forward, that without those kinds of programs on the site, that I am not sure where we are going.

But let me move forward with a couple more questions. I expect that the enemies of these kinds of programs are waiting to see failure here, just as they savaged the poverty programs and told the big lie that they never did anything for anybody. In order to avoid unintended consequences, even possible failure, has there been any attempt to study what we are told is a rather extensive set of enterprise zones that the States have developed for themselves?

We are told, I don't know, 700,000 jobs have come forward, \$40 billion. What do we know about those? Has anybody, before they begin advising all these communities, looked at that so that they have something to convey to us as we try to figure out how to draw a strategic plan?

Mr. SAVAGE. Representative Norton, if I may answer that, first of all, HUD does operate a clearinghouse which we try to collect and summarize the information in the State enterprise zones. And one of—there are several evaluations that have been done both of individual State zone programs and by some academics of kind of the collective experience. And first it would be no surprise to know it is something of a mixed bag.

For example, I am not one to necessarily talk too loudly about the numbers of jobs created, because you have the issue in terms of whether or not some of the jobs might be created in any case. However, to answer your question, I would say that the lessons learned from the State enterprise zone programs are exactly those that are reflected in the design of this program. The fact that an economic development—nothing operates by itself. You need to have the incentive for business to invest. You have to have either a trained or trainable work force. You have to have the access to social services for the people who are going to hopefully take advantage of the jobs.

So I would say that is the primary experience of the State enterprise zone programs. The more successful State zone programs are those that required some rigor of the communities that have actually participated in those programs. And those in which the State itself also has brought something to the table, including, frankly, just coordination of the State bureaucracy.

I am sorry that Congressman Barca isn't here, because I testified before a committee of the Wisconsin State Senate when they were considering their State enterprise zone program. And when I asked questions such as, was the State employment training service ready to participate in this program, people looked at me like I was crazy.

So in any case, there is lots of action for everyone, all of the official actors, both at the local, State and national level here, but the experience I think shows that we can only be successful if we do operate on a comprehensive basis. And I think the other thing is that the issue of incentives is very important and it is not just tax incentives for monetary incentives, it is the issue of how effective is the support of the program going to be.

I would just like to say, we don't happen to have the Department of Education or the Department of Labor or some of the other members of the Vice President's board here, but they are all going

to play an extremely important role in the support of the programs that are going to be coming out of the strategic plans.

Ms. NORTON. The more details that can be made available to the States and cities about the failures and successes of these——

Mr. SAVAGE. We will be happy to make that available to the committee.

Ms. NORTON. Thank you very much.

Mr. SAVAGE. Certainly.

Ms. NORTON. Just a couple more questions. How do the incentives that are part of these programs compete with incentives the States and cities use all the time to draw businesses to the larger communities? Are these going to be competitive when you consider that these incentives—tax and other—have grown up and been used increasingly over the past 20 years or so?

Mr. SAVAGE. Let me take a shot at that, Representative Norton. First of all, keep in mind that I think people in the economic development community would consider the old kind of smoke-stack chasing notion is kind of passe, that we recognize that we have a single national economy, we have regional and metropolitan economies, and we want to try to encourage the attention to the approach to empowerment zones and enterprise communities as unique to and appropriate within the context of the economy in which they operate.

I think one thing that is very interesting about the administration's approach to this program is that we are as concerned with jobs to people as we are with people to jobs. And that is a different approach than some programs of the past. That going back to your example earlier of people who may be trained but do not have the potential for work, one of the things we want to encourage, if jobs cannot be created within the zone itself but linkages can be created through transportation networks and so forth to jobs outside the zone, that could be included and we could encourage that that would be included as part of the process.

Those strategic plans which will be most credible will be those that are comprehensive in terms of both the economics as well as the transportation linkages, as well as the geographic concerns or considerations for the whole area.

But to return to your question, that is going to be part of the strategic plan. This whole program again is not the Federal Government trying to tell a community how to deal with its distressed areas, but it is encouraging the marshalling of the resources, including whatever incentives maybe brought to encourage business to invest or to expand. So this is not going to be instead of anything that currently exists; it will be a complement to those programs that already exist.

Ms. NORTON. Finally, let me express my doubts that some areas—for example, in my own district that would be most in need of this program—could attract business no matter what they did. High crime; very, very high crime. They have residents of low skill; very, very low skill.

Have you considered what it would take to go the other end now, help communities market themselves as a place for these businesses to come? How do they do that end of it? Most of them will

have had almost no experience trying to present themselves as a place where business should come.

Mr. SAVAGE. All right. Representative Norton, I think that that is an area where, frankly, we are going to have to try to encourage the various organizations, the major nationwide nonprofits, the community initiative, community development initiative, to provide their resource and encouragement to communities such as those that you speak of in DC and other places, where frankly they need all the technical assistance that they can get.

We can provide all the Federal assistance in terms of CDBG which we can use to hire staff to do these kind of things with, but what you are really talking about I think is a higher level of expertise. I think I would suggest to DC and other communities as they were thinking about doing their plans, get the national network organizations that deal with community development corporations, that deal with encouraging business networking. Perhaps sponsor some kind of a symposium, something of that kind. Once you determine, I have no ideas which areas of DC would be maybe considered for zone and EC status, but encourage kind of a confluence of business leadership of the non-profit community, of the foundations in and around DC, of the Council of Governments here.

I think there is some recognition that DC needs this kind of special attention. That would be my best suggestion. Use the fact that DC is the Nation's capital to attract some resources from outside of DC itself.

Mr. EDELMAN. Can I just add, Ms. Norton, it seems to me that you have raised what is really a fundamental question in the whole discussion of what do you do in the inner city. Nick Lehmann wrote a piece, for example, in The New York Times Sunday magazine two or three weeks ago in which he was very unfriendly to the concept of empowerment zones and enterprise communities. And I think he is quite wrong.

It seems to me—and indeed it has been interesting to watch William Julius Wilson's views evolve over the years on this exact point—it is not about simply whether you can attract business into one of these very insecure, high-poverty, high-crime neighborhoods. If that is all that this initiative did, if it was a pure tax incentive as enterprise zone proposals have been in the past, I think that the doubts would be well placed.

What you have here is a broader developmental notion. The thought is that as one of the strategies in urban or rural development policy, especially in areas where there are concentrations of poor people, you have to do everything you can to improve the conditions of life in that community. If people are going to have a chance to get out of there and go someplace else—a bridge has to have an approach ramp, you have to be able to get on to the bridge.

So it seems to me that what this is about is saying that in addition to what else we do about improving the conditions of life and possibility and opportunity for low-income folks wherever they are, including increasing mobility appropriately in the society, you need to try to create some kind of broad development in these very, very impoverished neighborhoods.

The money is of course relatively small in the 95 enterprise communities. In the enterprise zones, though, you can look at what is

possible with that hundred million urban or the 40 million rural, and we may be able to see, more than we ever have by any initiative we have undertaken in the past, with the combination of that money and the demand for strategic planning which really involves the community. But in partnership with the larger city, government, civic, business, everybody else, we will see whether we can make a difference.

Ms. NORTON. Mr. Edelman, what you have described I think is a broader and more fruitful concept of development zones, and not just enterprise zones. And I hope that the stereotype does not get left out there, that if a community doesn't somehow develop businesses for the first time perhaps in that community, it may be a community that historically never had business, it may not now be one that is going to turn into, late in its life, a business community, but if it develops because of what this program does, then it seems to me it will have served a most important purpose.

Mr. Savage, I am very glad to hear you say that it could provide a way for people to get out of the community, go and find jobs where they are and come back home with money in their pockets in order to help develop that community.

Thank you very much.

And thank you, Mr. Chairman.

Mr. WISE. Thank you.

I turn to Mr. Collins for any questions he may have.

Mr. COLLINS. Thank you, Mr. Chairman.

You know, I find with interest what the lady from the District was commenting on, because it worries me with a great concern, that you can train and retrain for as many jobs and as many people for jobs as you want to, but if you don't create the job, you really haven't done anything.

And I understand the purpose of this whole concept: It is to create jobs in the private sector. Of course, from what I have observed here and heard you all say, I hear more government jobs being created than I can visualize private sector jobs. In fact, I think your EC and EZ program is going to lead to a "BG" program, which is bigger government.

In my opinion, you could take the total amount of funds that you are trying to appropriate or will be appropriating for this particular program, and as the gentleman you referred to of The New York Times suggested, offer those same incentives in the tax codes for private sector business to create jobs, not just in this particular tight period but any area, be it inner city or rural, if such businesses actually hire those who are on the present current entitlement program, whatever that program might be.

And you mentioned and you used an example of these particular funds being used for sewer and water lines and possibly hiring welfare recipients to go in and actually do those jobs. I have a hard time visualizing that a single-parent mother is going to actually take a job working in a ditch laying a water line or sewer line.

I have a problem, too, with the fact that the government is going to perform these job training programs. The business people that I have talked to over the years, and having been a small businessman for 31 years, if I can find those who are willing to work, I can train them to do the type work that I have.



Why not offer tax incentives on a basis equivalent to the same amount of funding that you are proposing here as an offset in revenue to that of equal dollars as tax incentives? Why not do that? What is your reason for not wanting to do that?

And second of all, just how far are you willing to go to change the current welfare regulations criteria for existing AFDC or any other type entitlement program in order to encourage such recipients to seek employment in the private sector?

Mr. Edelman, you, I believe, referred to that in your comments.

Mr. EDELMAN. Yes, Congressman. Let me say of course that this proposal does contain substantial tax incentives, as I am sure you know.

Mr. COLLINS. Well, let's—before you go any further, and let's just look at that. A tax incentive that I saw in there was 20 percent of the first \$15,000 in payroll where a business employs such employees who have previously been on the entitlement roll, AFDC roll. Twenty percent of \$15,000 of the wages is, you know, a \$3,000 incentive. That is not much of an incentive compared to the total amount of revenue that you are willing to spend. And why limit it to just an area such as that?

Mr. EDELMAN. It is \$2.5 billion, Congressman. That is the estimate of the value of the tax expenditure involved in the tax incentives.

Mr. COLLINS. That is the total, but is it not 20 percent of the first \$15,000 of wages?

Mr. EDELMAN. Yes, but that adds up—

Mr. COLLINS. You think \$3,000 for an entrepreneur to go in and set up a business inside of an inner city or out in a rural area that is going to employ 75, 80 percent of its employment from the welfare rolls is substantial, is an incentive enough for someone to take the risk to do such?

Mr. EDELMAN. Well, it is a substantial expenditure, it is \$2.5 billion as compared to a billion dollars that the bill puts into the support.

You talked, Congressman, about whether someone who had been a young woman or a woman who had been on AFDC was going to go out and work on a water and sewer project. The expenditures under the EZ/EC, the funds that are created insofar as they are used to put people to work could be either young men or young women. So that is—it is not a question of someone who isn't fit for a particular job. There are unemployed young men, as you know, in these communities who could do that work.

So I think if the decision is made to spend the money in that way, there certainly are people who would be qualified and able to do the work. The whole notion here is to pursue a strategy to make people self-sufficient in private-sector jobs. Insofar as there is public funding in here, it is enabling, it is enabling for training or work experience that serves as a bridge to get people into private sector jobs.

With this amount of funding, even if one had some kind of ambition to create a large number of public sector jobs, that is not this program. This program is geared to helping people become self-sufficient. And it is the thinking of this program that in fact it won't suffice simply to use tax incentives.



Now, your suggestion is that these tax incentives in and of themselves are insufficient. We will see. But it is our view that in addition to the tax incentives, it is necessary in these neighborhoods and communities that we have been discussing, whether urban or rural, you also have to provide training.

The training doesn't have to be provided by a public sector trainer. It can be by a nonprofit, it can be on the job. So we are not stuck with some sort of bureaucratic notion here at all. It is very flexible and it is geared to people in the end being self-sufficient in the private sector.

Mr. NECHELES. I would just like to add that the tax incentives are 3,000 per worker per year. So it will add up depending on how many employees there are of a particular corporation or company.

And I would also like to just state that when the President announced the application process on January 17th, he did it before a group of businessmen and business women. And that was done intentionally, to emphasize how important the private sector is in the whole process.

One of the areas that we are reviewing the applicants on is the level of jobs creation. And it is really a question on how much the private sector in these communities are willing to come up, come to the plate and saying, This is our commitment and this is how much we are going to help you with it. It is not a government job-creating program, it really is a job-creating program directed by the private sector.

Mr. COLLINS. Well, I view it, too, as being a bureaucracy-creating method, too. Just what welfare regs are you willing to go along with as far as human services to change, that will encourage people to come off the welfare rolls on to the private sector rolls? What type of welfare reform package would you think would promote those who are now recipients to become payroll check receivers rather than welfare check receivers?

Mr. EDELMAN. I can only answer that on a general level at this point, Congressman. As you know, there is under development a major welfare reform initiative that the President will send to the Congress within the course of a relatively short period of time, as soon as the technical details are ironed out, which will be heavily geared to providing a combination of incentives and requirements that people who are on the AFDC rolls participate in employment if they are unable to find work in the private sector. So that indeed is at the heart of what President Clinton is going to propose.

In addition to that, as I am sure you know, the department has granted waivers to a number of States over the course of the past year in which a number of different kinds of combinations again of incentives and requirements are being tried by the States, again to get a much larger number of AFDC recipients into work and particularly into work in the private sector. That is an objective with which the administration agrees with you very, very strongly.

Mr. COLLINS. But you do not have any particular ideas yourself?

Mr. EDELMAN. Oh, I have ideas, sir, but the point is that there is a major proposal under way which I think is very, very constructive, and which will be the President's proposal, and that will be before you and before your colleagues in a matter of weeks.

Mr. COLLINS. You are not willing to share any of your ideas, though, here today?

Mr. EDELMAN. I would be happy to, but they are very much the same as what is under development within the department of HHS and working with the White House, and they run to the same notion that you are pressing.

I mean, I am in general agreement with you, Congressman, that what we need to do is get people who are particularly longer-term recipients of AFDC, to push as hard as we can to create incentives and requirements to get people out there working in the private sector or in community service if we can't find jobs for them in the private sector. And that is the direction in which the administration is going and that is certainly the direction which I would go.

Mr. COLLINS. Mr. Wenger, you gave an example of a program in Kentucky; you said you were very proud of them. Just how many long-term jobs or reduction entitlement rolls did that program create?

Mr. WENGER. At this point, I can't answer that question specifically. But the point that I was trying to make is that what will happen as a result of the small amount of money that we put in and the leadership training that we provided, is that ultimately there will be the development of private tourism trade there, through the spring festival, through the nature trails that they are developing, through other attractions that they are going to develop in proximity to the Daniel Boone National Forest. They will create a number of jobs in the private sector making people who heretofore may have been on welfare rolls or not earning any income at all, making them self-sufficient.

Now, you are talking about a county of 6700 people, so to give you a specific number of jobs is difficult at this point, but you are talking about a county that has 13.2 percent unemployment. And my guess is that I can come back to you a year from now after they have instituted the spring festival, developed the nature trail and all the other things that go along with it, and tell you that that unemployment rate has been reduced and that the number of people participating in the labor force in the private sector has been significantly increased in relation to the current labor force.

Mr. COLLINS. Okay. Mr. Necheles, you said 3 and 30, I believe, were the number of ECs and EZs.

Mr. NECHELES. That is correct.

Mr. COLLINS. What percent overall is that of total areas that reflect the agricultural rural sector of this country?

Mr. NECHELES. Congressman, I couldn't tell you. I can get back to you on that, but I don't believe that we have done—excuse me one second.

We can provide that information to you, Congressman. There are about 3,000 rural counties, but we will be happy to get that information to you.

[Mr. Necheles' response follows:]



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

Honorable Mac Collins  
U.S. House of Representatives  
1118 Longworth House Office Building  
Washington, D.C. 20515-1003

Dear Congressman Collins:

During the February 7, 1994, hearing of the House Subcommittee on Economic Development, you requested information on how many rural communities are eligible for designation as Empowerment Zones or Enterprise Communities.

The number of eligible rural communities for the Empowerment Zones and Enterprise Communities program is based on legislation approved by Congress in the Omnibus Budget Reconciliation Act of 1993. The legislation imposes a number of eligibility criteria, including multiple poverty thresholds, general distress requirements, prohibitions against the inclusion of Indian reservations, and other restrictions on area and population size. The legislation further requires that the poverty thresholds comply with the 1990 Census.

It is helpful, therefore, to turn to the Census information to obtain an indication of eligible areas. The 1990 Census reported that there were 943 rural nonmetropolitan population census tracts with at least a 35 percent poverty rate (this number is hereinafter referred to as the "1990 Census number"). The 1990 Census number provides a guide to the number of eligible communities as the Empowerment Zones legislation requires one-half of the applicant's census tracts have a poverty rate of at least 35 percent.

While the 1990 Census number may provide a starting point, it is not a precise indicator of the total number of eligible rural communities.

The rural Empowerment Zones interim regulations were published by the Department of Agriculture on January 18, 1994. As currently promulgated, the rules permit a rural applicant to include areas within a metropolitan area, provided that the majority of the population of the applicant resides outside of the metropolitan area. Thus the 1990 Census number significantly undercounts the number of communities that may be eligible for designation as rural Empowerment Zones or Enterprise Communities. However, the 1990 Census number includes nonmetropolitan areas within Indian reservations which are excluded from the program, therefore overcounting the number of eligible tracts. In addition, the Secretary's authority to provide limited waivers of the poverty criteria for Enterprise Communities means that some areas with poverty rates lower than 35 percent may qualify. Finally, as you are aware, a community may be comprised of any number of population census tracts, making the 1990 Census number confusing for determining the number of eligible "communities."

Honorable Mac Collins

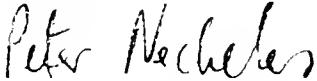
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On the basis of these factors, the Department lacks the capability to determine on a community basis those areas who are eligible for the program.

We apologize that we are unable to provide you with a definitive answer to your inquiry but we hope that this information is useful in providing a sense of the large number of rural communities that may be eligible to participate in the Empowerment Zones program.

If we can be of further assistance, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in cursive script that reads "Peter Nacheles".

PETER NECHELES  
Special Assistant to the Under Secretary  
Small Community and Rural Development

Mr. COLLINS. Okay. I will yield for now, Mr. Chairman. Thank you.

Mr. WISE. I thank the gentleman.

In summing up, I want to thank you all very much for being here. The EZ/EC initiative is more obviously, and certainly to those who will be making application, whether they be urban or rural, is more than just an application to HUD or to the Department of Agriculture. And we are very concerned and interested in the coordination process that is taking place on that.

I look with interest at the Community Enterprise Board under the leadership of the Vice President. And I note that in addition, of course, to HUD and the Department of Agriculture, there is the Secretary of the Treasury, the Attorney General, Secretary of the Interior, Secretary of Commerce, Secretary of Labor, obviously Secretary of Health and Human Services, Secretary of Transportation, Secretary of Education, Administrator of the Environmental Protection Agency, Director, National Drug Control Policy, Administrator of the Small Business Administration, the Assistant to the President for Domestic Policy, the Assistant to the President for Economic Policy, the Chair of the Council of Economic Advisers, and the Director of the Office of Management and Budget. It is a lot of folks to bring together.

And if we are truly to be effective in this process of encouraging communities to file strategic applications and then acting upon them, we need to make sure that they are brought adequately together. Our subcommittee's involvement in this is to make sure that the infrastructure element is coordinated as well.

We can get into this chicken-or-the-egg argument of do you need job training to attract employers, do you need employers to tell you what jobs to train for. Probably in the perfect world, obviously in the perfect world, you need both. And so it does no good—I mean, I can train people around the clock in Clay County, which has every one of its census tracts over 35 percent poverty, but if I don't have any jobs to offer there, then what have I done?

By the same token, obviously, it is going to be hard to get an employer there or to expand without adequate job training. But there are so many times that you also need that infrastructure piece.

I have talked about water and sewer lines. Is there an access—what about the access roads? I assume that is why the Department of Transportation is in here. What about air transportation? What about telecommunications highways? What about building construction? What about EDA, not only, Mr. Hawkins, the strategic planning part which you are very helpful with, but as well that part that is so important, grants for certain infrastructure needs that create jobs?

SBA, Mr. Collins has been very, very—has been extremely helpful to this subcommittee in just a short period of time, working with the revolving loan fund of EDA. SBA also has similar functions and how can they be plugged in? HUD has infrastructure components as well. I just want to make sure, the subcommittee wants to make sure that that coordination is taking place.

I know you have had a short time to put a big program together. We will be back together on this, because I think that it is very, very important, that that move forward as well.

You have given us a lot of insight as to how the program is evolving. We thank you very much. We look forward to the hearing or the meeting tomorrow and the others that are going to take place across the country further explaining it.

Incidentally, if some of you are interested, there is still time to contact USDA or HUD about getting reservations. If you are a community that wants to be involved in this, you can still get as many of the workshops that are available.

So I thank the subcommittee Members and also the panel for your time and your attention and your education. Thank you. This hearing is adjourned.

[Whereupon, at 3:29 p.m., the subcommittee was adjourned.]

PREPARED STATEMENTS SUBMITTED BY WITNESSES

**Statement of**

**PETER B. EDELMAN**  
**Counselor to the Secretary**

**Department of Health and Human Services**

**Before**

**The Committee on Public Works and Transportation**  
**Subcommittee on Economic Development**

**United States House of Representatives**

**February 7, 1994**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today with some of our partners from other agencies to discuss the activities of the Department of Health and Human Services under the Empowerment Zone and Enterprise Community initiative.

As you may know, HHS has been a key contributor to the community empowerment initiative since its inception. We helped in the development of the initiative, are participating in its implementation, and are making a significant monetary contribution to it.

Secretary Shalala represents HHS on the Community Enterprise Board that guides the overall initiative. Other HHS staff, including myself, serve on the National Economic Council's interagency workgroup responsible for designing and implementing the initiative, and for coordinating empowerment efforts across the government.

#### SOCIAL AND ECONOMIC DEVELOPMENT

Several HHS programs and funding sources are available to support economic development through business support and job creation in the context of the empowerment initiative.

However, it is also important to acknowledge that much of what HHS offers to community empowerment is not economic development in the traditional sense. There is an essential



link between economic development and human development. Human capital -- trained, functional, healthy people -- is as important to economic regeneration as tax credits, loan funds, and technical business assistance. Residents of Empowerment Zones and Enterprise Communities must have the education, job placement assistance, and family support they need to access and succeed in newly created jobs. And we must build the capacity and stability of children, youths, and families, so that they are able to create their own opportunities.

Therefore, in addition to advancing the creation of new employment and business opportunities, we are promoting the inclusion and integration of social and economic development as an important component of a complete community development agenda.

#### SOCIAL SERVICES BLOCK GRANT FUNDS

The Empowerment Zone legislation provided a total of \$1 billion for grants to states for designated areas through an amendment to the Social Services Block Grant program administered by HHS. I will refer to this money as EZ/EC SSBG funds, and it is an essential element in the community empowerment initiative.

You are probably all familiar with regular Social Services Block Grants authorized under Title XX of the Social Security Act. Title XX funds are distributed to States, which use them to finance social service activities, such as child care, adult day care, meal assistance,

and other services to meet the special needs of children, the aged, and people with physical and mental disabilities. There is greater flexibility in the types of activities that may be funded with EZ/EC SSBG funds than under the regular program.

The only requirement for use of EZ/EC SSBG money is that funded activities must address one of three broad goals and benefit residents of the zones and communities. Two of the goals focus on enabling economic self-support and independence; the third goal involves assistance for children and families.

Under the broad goals, there are certain program options that may be funded without need for special justification by communities in their strategic plans. Most of these program options provide community and economic development services, such as:

- ▶ entrepreneurship education,
- ▶ skills training,
- ▶ transportation services to link workers with jobs,
- ▶ home ownership assistance,
- ▶ substance abuse prevention and treatment programs with comprehensive services for mothers and children,
- ▶ school-based activities for mentoring and educating youths outside of school hours,
- ▶ training and employment in construction of affordable housing, public infrastructure, and community facilities, and
- ▶ job, business, and financial management counseling.

If communities use funds for these options, they have additional flexibility not readily available under the regular Title XX program. For example, funds may be used to purchase or improve land or facilities.

Other innovative activities not specified as program options may also be funded with EZ/EC SSBG money, but must be explained and justified in the applicant's strategic plan.

We are emphasizing creativity in using EZ/EC SSBG funds. For example, communities may use the funds to capitalize revolving or micro-enterprise loan funds for the benefit of low-income residents. Also, communities may use the funds to invest in community financial institutions and community development corporations.

We want communities to capitalize on the flexibility of these funds and to maximize their impact by tailoring their use to serve the unique human service and economic development needs of residents.

#### SPECIAL CONSIDERATION FOR OTHER HHS GRANTS

In addition to their potential eligibility for EZ/EC SSBG money, we will give communities competing for certain community-focused HHS grant programs special consideration, if they meet two criteria: (1) applicants must satisfy all grant program criteria and priorities, and (2) they must serve areas that meet the poverty, socio-economic distress, and strategic

planning requirements established for Empowerment Zones and Enterprise Communities.

Funding from these other HHS grant programs totals \$111 million in competitive FY 1995 grant funds, and about \$400 million over a five-year period.

A new HHS Community Initiative Program targeting distressed communities with job creation and business development activities will be among those programs that will confer weighted consideration.

Public health programs focusing on substance abuse prevention and treatment, childhood lead poisoning, and rural health technical assistance, will also confer this consideration.

The method for awarding weighted consideration will be determined on a case by case basis within individual programs. Weights will be given through the means most appropriate to the specific program, e.g. bonus points or ranking criteria. However, no applicants, even designated zones and communities, will be awarded grants under these programs if they do not meet the basic funding criteria for the program established by law or in regulation.

#### OTHER HHS PROGRAMS

We are also making applicants for designation as Empowerment Zones and Enterprise Communities aware of the other extensive HHS resources available to them. For example, the state-administered Job Opportunities and Basic Skills Training program and child care

programs, Head Start, Community and Migrant Health Centers, Social Security programs, and other community-focused programs can help meet the employment, training, and child and family support needs of residents, to enable self-sufficiency.

HHS, both central and regional offices, will also work directly with communities to accommodate their needs and maximize effective human development services in federal programs.

## CONCLUSION

Mr. Chairman, Secretary Shalala has personally emphasized to me time and time again that the Department of Health and Human Services is committed to doing everything possible to ensure the success of the Community Empowerment Initiative. We will work in a partnership with other cabinet agencies, the Economic Development Administration, the Appalachian Regional Commission, and others to achieve this mutual goal.

HHS will continue to provide resources and other assistance to promote both economic opportunity and human development, and to make a real difference in the lives of the people we serve.

U. S. DEPARTMENT OF COMMERCE  
ECONOMIC DEVELOPMENT ADMINISTRATION  
TESTIMONY OF ACTING ASSISTANT SECRETARY  
FOR ECONOMIC DEVELOPMENT

WILBUR F. HAWKINS

HOUSE PUBLIC WORKS AND TRANSPORTATION COMMITTEE  
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

U. S. HOUSE OF REPRESENTATIVES  
MONDAY, FEBRUARY 7, 1993  
1 P.M.  
2167 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, D. C.

CHAIRMAN WISE, CONGRESSWOMAN MOLINARI AND OTHER DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY AS WE DISCUSS THE ADMINISTRATIONS'S NEW PROGRAM ON EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES (EZ/EC) ESTABLISHED BY PUBLIC LAW 103-66. THE EZ/EC PROGRAM IS ONE MANY BELIEVE WILL EMERGE AMONG THE ADMINISTRATION'S MORE NOTABLE ACHIEVEMENTS IN REINVENTING GOVERNMENT. THE EZ/EC PROGRAM WILL STRIVE TO TAP THE ENERGY AND RESOURCES OF DISTRESSED COMMUNITIES SO THAT WE CAN, IN THE PRESIDENT'S WORDS, "REPAIR THE AMERICAN COMMUNITY AND RESTORE THE AMERICAN FAMILY."

THE EZ/EC PROGRAM IS DESIGNED TO EMPOWER PEOPLE AND COMMUNITIES ACROSS THE NATION BY PROMOTING COMMUNITY, BUSINESS AND FEDERAL GOVERNMENT PARTNERSHIPS TO CREATE JOBS AND OPPORTUNITY. NINE EZ'S AND 95 EC'S WILL BE DESIGNATED BY THE FEDERAL GOVERNMENT. COMMUNITIES WILL HAVE TO APPLY BY PREPARING CREATIVE STRATEGIC PLANS FOR REVITALIZATION AS WELL AS MEET CERTAIN POVERTY AND DISTRESS CRITERIA. KEY PRINCIPLES THAT WILL GUIDE THE APPLICATION

AND SELECTION PROCESS INCLUDE ECONOMIC OPPORTUNITY, SUSTAINABLE COMMUNITY DEVELOPMENT, COMMUNITY-BASED PARTNERSHIPS AND A STRATEGIC VISION FOR CHANGE.

ON SEPTEMBER 9, 1993, PRESIDENT CLINTON SIGNED A MEMORANDUM ESTABLISHING THE PRESIDENT'S COMMUNITY ENTERPRISE BOARD (CEB), CHAIRED BY THE VICE PRESIDENT. THE CABINET-LEVEL BOARD IS RESPONSIBLE FOR OVERSEEING AND ENCOURAGING NEW INITIATIVES IN COMMUNITY EMPOWERMENT AS AUTHORIZED BY THE OMNIBUS BUDGET RECONCILIATION ACT OF 1993 (P.L. 103-66). THE BOARD HAS BEEN DIRECTED TO ENCOURAGE INNOVATIONS BY LOCAL GOVERNMENTS TO FIND WAYS TO REDUCE RED TAPE AND FEDERAL REGULATIONS. THE DEPARTMENT OF COMMERCE IS A MEMBER OF THE PRESIDENT'S COMMUNITY ENTERPRISE BOARD. THE BOARD HAS BEEN ASKED TO WORK WITH ALL COMMUNITIES SUBMITTING A STRATEGIC PLAN FOR CHANGE -- EVEN IF THEY ARE NOT DESIGNATED AS AN EZ OR EC -- TO OVERCOME PROGRAMMATIC, REGULATORY AND STATUTORY IMPEDIMENTS AND ENCOURAGE MORE EFFECTIVE ECONOMIC HUMAN, PHYSICAL ENVIRONMENTAL AND COMMUNITY DEVELOPMENT STRATEGIES.

THE ULTIMATE GOAL FOR THE NINE EMPOWERMENT ZONES AND NINETY-FIVE ENTERPRISE COMMUNITIES IS TO ENSURE THAT THESE COMMUNITIES, IN PARTICULAR, ARE IN A POSITION TO BECOME MORE COMPETITIVE NATIONALLY AND WORLD-WIDE. EDA HAS BEEN ASKED BY THE DEPARTMENT OF COMMERCE TO CONCENTRATE ITS EFFORTS ON ECONOMIC DEVELOPMENT.

HENCE, EDA IS ANALYZING ITS PROGRAMS AND LOOKING AT ITS PROJECT PORTFOLIO TO DETERMINE HOW SEVERAL INITIATIVES MIGHT BE APPLICABLE TO OVERALL STRATEGIES FOR THE EZ/EC PROGRAM. UNDER OUR TRADITIONAL PROGRAMS, EDA MIGHT SERVE URBAN AND RURAL DISTRESSED AREAS, SPECIFICALLY IN THE AREAS OF DEFERRED MAINTENANCE AND INFRASTRUCTURE. MANY COMMUNITIES LACK THE BUSINESS AND MANAGEMENT INFRASTRUCTURE TO BE COMPETITIVE IN A 20TH CENTURY ENVIRONMENT. EDA COULD LAUNCH DEMONSTRATIONS THAT WOULD BE A BLEND OF PUBLIC AND PRIVATE SECTOR RESOURCES IN SUPPORT OF CAPACITY BUILDING AND BUSINESS DEVELOPMENT. LIKEWISE, EDA IS IN A POSITION TO ASSIST COMMUNITIES BY LEVERAGING STRATEGIC PLANNING BEYOND THE EZ/EC APPLICATION. AS PART OF ITS MANDATE, EDA PROMOTES LONG-TERM ECONOMIC INITIATIVES AND AS AN AGENCY HAS SPECIALIZED EXPERTISE IN PROVIDING PUBLIC WORKS, TECHNICAL, ECONOMIC ADJUSTMENT, PLANNING AND TRADE ADJUSTMENT ASSISTANCE TO COMMUNITIES. STRATEGIC PLANNING HAS BEEN AND CONTINUES TO BE AN INTEGRAL PART OF THE EDA PROGRAM DELIVERY SYSTEM. FOR EXAMPLE, THE FIRST GRANT APPROVED FOR THE STATE OF FLORIDA AS A RESULT OF HURRICANE ANDREW WAS A STRATEGY PLANNING GRANT. IN THE MIDWEST FLOODS, EDA HAS ENSURED THAT

COMMUNITIES FOCUS FIRST ON LONG-TERM ECONOMIC RECOVERY STRATEGIES WHICH FOSTER:

- AN EXAMINATION OF UNIQUE ASSETS AND RESOURCES THAT CAN SUPPORT AND ENGENDER NEW ENTERPRISES, THE EXPANSION OF EXISTING FIRMS AND THE CREATION OF NEW EMPLOYMENT OPPORTUNITIES FOR RESIDENTS;
- BUILDING CONSENSUS FOR A COMMON SET OF PRIORITIES WITHIN THE COMMUNITY; AND,
- EFFECTIVE COORDINATION AND COOPERATION AMONG ECONOMIC RECOVERY PARTNERS IN ESTABLISHING REALISTIC GOALS AND ENSURING FOLLOW-THROUGH ON COMMON PRIORITIES TO IMPLEMENTATION OR COMPLETION.

SPECIAL ATTENTION NEEDS TO BE GIVEN TO THE ECONOMIC DEVELOPMENT NEEDS OF THOSE COMMUNITIES NOT SELECTED UNDER THE EZ/EC PROGRAM. THRESHOLD COMMUNITIES THAT WILL NEED LONG-TERM GUIDANCE AND ASSISTANCE TO ENSURE THEY CAN COMPETE IN THE 21ST CENTURY.

RURAL NEEDS CONSISTENT WITH THE LEVEL OF NEED HAVE NOT BEEN EXAMINED, ESPECIALLY ALONG THE 400 CONTIGUOUS COUNTIES WITHIN THE BLACK BELT OR THE DEEP SOUTH --COMMUNITIES THAT COULD SIGNIFICANTLY BENEFIT FROM THE EZ/EC PROGRAM. THESE COMMUNITIES NEED THE EXPERTISE TO PACKAGE LOCAL NEEDS, EFFECTIVE LEADERSHIP, AND INFRASTRUCTURE TO EFFECTIVELY COMPLETE AND COMPETE IN THE EC/EZ PROCESS. SPECIAL POPULATIONS IN TEXAS, THE MISSISSIPPI DELTA, RURAL APPALACHIA, AND THE RURAL SOUTHWEST, NORTHEAST AND NORTHWEST ARE OF SPECIAL CONCERN.

WHILE URBAN AREAS REPRESENT A SIGNIFICANT SHARE OF THE EZ/EC DESIGNATIONS, SPECIAL DESIGNATIONS ALONE ARE NOT THE KEY TO ECONOMIC COMPETITIVENESS. EDA HAS A LONG TRACK RECORD OF INVOLVEMENT WITH DISTRESSED COMMUNITIES. EDA HAS BEEN THERE IN SITUATIONS OF ECONOMIC DISTRESS WHETHER IT BE AS A RESULT OF NATURAL DISASTERS, SUCH AS THE EARTHQUAKES IN CALIFORNIA, OR DEFENSE CONVERSION AS A RESULT OF DOWNSIZING, OR SOCIAL DISORDER IN THE FORM OF RIOTS, OR LOSS OF MAJOR INDUSTRIES. EDA'S HISTORY OF COMMITMENT HAS BEEN ONE OF ASSISTING COMMUNITIES IN PLANNING THEIR WAY OUT OF



CRISIS BY IDENTIFYING NEW OPPORTUNITIES FOR DIVERSIFICATION OF LOCAL ECONOMIES AND ESTABLISHING CREATIVE APPROACHES TO LONG-TERM SUSTAINABLE ECONOMIC RECOVERY.

THE AGENCY HAS A STRONG WORKING KNOWLEDGE OF ECONOMIC DEVELOPMENT AND GROWTH IN LOCAL COMMUNITIES, EVEN THOUGH OVER THE LAST TWELVE YEARS, EDA HAS BEEN THE TARGET OF ELIMINATION. AS WE FOCUS TO MOVE AMERICA INTO THE 21ST CENTURY, WE ALSO NEED TO CONCENTRATE ON A REVITALIZED EDA. AN EDA THAT CAN BE A PARTNER WITH OTHER FEDERAL GOVERNMENT ENTITIES AND RESPOND TO THE ADMINISTRATION'S GOALS FOR ECONOMIC DEVELOPMENT UNDER EXISTING OR FUTURE PROGRAMS.

AS A FEDERAL AGENCY EDA IS UNIQUE BECAUSE IT HAS A COMPLEMENT OF ECONOMIC DEVELOPMENT REPRESENTATIVES WHO WORK IN PARTNERSHIP WITH LOCAL UNITS OF GOVERNMENT, NON-PROFITS AND PLANNING AND DEVELOPMENT DISTRICTS. LIKewise, EDA HAS TO OFFER ITS EXTENSIVE NETWORK OF UNIVERSITY AND TRADE CENTERS WHICH CAN BRING ACADEMIA AND THE PRIVATE SECTOR TO THE TABLE AS PARTNERS. NO OTHER FEDERAL AGENCY HAS A TRAINED CADRE OF STAFF WORKING AT THE LOCAL LEVEL THAN EDA.

EDA CAN DO MORE BEYOND ASSISTING SELECTED AREAS DEVELOP SUSTAINABLE GROWTH THROUGH SELECTED PROGRAMS. EDA COULD TARGET RESOURCES TO BUSINESS START-UPS THAT CAN EXPAND HIGH QUALITY, COMPETITIVE EMPLOYMENT, ESPECIALLY IN THE HIGH TECHNOLOGY ARENA.

CABINET SECRETARIES BROWN AND ESPY ARE WORKING COOPERATIVELY ON THE SELECTION OF RURAL AREAS TO BE DESIGNATED AS PARTICIPANTS IN THE EZ/EC PROGRAM. EDA IS A PARTNER IN THE EVALUATION OF PROPOSALS THAT ARE SUBMITTED BY COMMUNITIES ACROSS THE NATION.

MR. CHAIRMAN, IN CLOSING WE HAVE A UNIQUE OPPORTUNITY TO CHANGE THE ECONOMIC FIBER OF THOSE COMMUNITIES ULTIMATELY SELECTED FOR THE EZ/EC PROGRAM. IN DOING SO, NOT ONLY WILL THE COMMUNITIES BENEFIT BUT ALSO OUR NATION BECAUSE ITS ABILITY TO COMPETE IN GLOBAL MARKETS WILL BE SUBSTANTIALLY ENHANCED. EDA HAS PROVEN TO BE A FLEXIBLE AGENCY AND WE ARE WORKING DILIGENTLY TO MAKE THE AGENCY ONE OF THE MOST RELIABLE CUSTOMER-FOCUSED FEDERAL GOVERNMENT ENTITIES. MR. CHAIRMAN, WE LOOK FORWARD TO A CONTINUED PARTNERSHIP WITH YOU AND MEMBERS OF THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT. THANK YOU, CHAIRMAN WISE, FOR THE OPPORTUNITY TO APPEAR AND PRESENT TESTIMONY BEFORE THIS SUBCOMMITTEE.

**Statement of Peter Necheles  
Special Assistant to the Under Secretary  
Small Community and Rural Development, USDA**

**made before the  
House Subcommittee on Economic Development**

**February 7, 1994**

**I. Introduction**

I appreciate this opportunity to come before you today to discuss the new Federal Empowerment Zones and Enterprise Communities program. Enacted by Congress as part of the Omnibus Budget Reconciliation Act of 1993, this program is the product of many years of debate over the enterprise zone concept and how it might best be used to revitalize distressed communities. The result is a new and innovative approach to stimulate the development of 104 high-poverty areas around the country, including 33 rural areas.

Today I will focus my discussion on the rural portion of the program.

**II. Overview of the Empowerment Zones Program**

The main objectives of the Empowerment Zone and Enterprise Community program are to empower distressed, high-poverty communities to achieve growth and revitalization. The program will attempt to achieve these objectives by following four key principles.

1. The first principle is economic opportunity. In rural areas, this means job creation in both the communities and the surrounding region. It also involves helping residents become economically self-sufficient.
2. The second principle is sustainable community development that leads to a livable community where human initiative, work, and stable families can flourish. This requires a comprehensive and coordinated physical and human development strategy that provides for safe streets, clean air and water, adequate housing, and supportive human services.
3. The third principle is community-based partnerships. Unlike some past Federal efforts at economic revitalization, this will not be a top-down approach. The communities themselves must initiate the effort, and all segments of the community must participate together through public-private and intergovernmental partnerships.
4. The fourth principle is strategic vision for change. Each community must formulate its own vision of what it wants to become and devise a reasonable strategy to achieve its vision, including performance benchmarks for assessing its progress.

This program addresses a clear and persistent need in rural America, where poverty has confounded revitalization efforts in many regions. Almost 23 percent of nonmetropolitan

counties had high poverty rates at the beginning of the 1990's. Only 4 percent of metropolitan counties had similar poverty rates.

In nonmetropolitan counties with persistent high poverty--those counties with poverty rates above 20 percent in each of the last four censuses from 1960 to 1990--the poverty rate was twice that of all other nonmetropolitan counties. Persistent poverty characterizes 540 nonmetropolitan counties, nearly one-fourth of all nonmetropolitan counties.

There is no simple solution to rural poverty. Traditional welfare programs do not provide a means for the poor to escape poverty. Education and training programs cannot guarantee jobs to the disadvantaged. Local job creation does not assure that unemployed residents will get the jobs. Only a coordinated program that links each component, from welfare, housing, and public safety to training and job creation, will communities have a chance of breaking the cycle of poverty and stagnation. This new Federal program targeted to high-poverty areas features just such an approach.

To encourage rural communities to adopt such comprehensive and integrated strategies, the program offers a wide range of benefits. All 33 rural communities will receive Social Service Block Grants that can be used for traditional social services, such as alcohol and drug treatment, services for pregnant women, training for disadvantaged youths, and emergency shelters. These funds can also be used in nontraditional ways to help low-income residents actually escape poverty and gain economic independence. For example, these grants can be used to capitalize microloan funds for starting up small businesses. Each rural Empowerment Zone will receive Title XX grants totalling \$40 million; each enterprise community receive approximately \$3 million.

In Empowerment Zones, employers will receive tax credits up to \$3,000 for each zone resident employee for wages or training expenses. Empowerment Zone businesses will receive additional tax incentives for investing in equipment. Enterprise Communities will not receive these benefits, but they as well as the Empowerment Zones will be eligible for other tax incentives, including tax exempt bonds for businesses and tax credits for selected community development corporations.

In addition to the benefits explicitly provided by the legislation, various Federal agencies will contribute to the development of the designated areas. The newly created Community Enterprise Board, chaired by Vice President Al Gore, will coordinate the comprehensive Federal assistance to these rural areas. To assist these designated areas, Federal agencies are being asked to "reinvent government," to provide more effective and coordinated assistance. The program also seeks to encourage State agencies to provide assistance to these communities, reflecting a partnership among Federal, State and local governments to coordinate assistance to distressed communities.

Applicants will compete for zone designations based on the quality of their strategic plans and the commitment of the participating entities in support of the plan. Each plan will be judged

on its use of the four key revitalization strategy principles I mentioned earlier. Strategic plans should be realistic and tailored to the individual community's needs, goals, and economic potential. Innovative, comprehensive plans that build economic self-sufficiency and include significant involvement of low-income residents and local organizations will receive preference.

Realizing the extent of persistently poor urban and rural communities, the program is specifically targets to communities with high poverty rates. At least half of the census tracts (or block numbering areas) in each Empowerment Zone must have poverty rates of 35 percent or more, and 90 percent of the tracts must be above 25 percent poverty. All tracts must be above 20 percent poverty. With respect to Enterprise Communities, the legislation provides the Secretaries of Agriculture and HUD with the discretion to reduce the poverty eligibility requirements. For example, an applicant with 6 population census tracts may request to have the 35 percent threshold lowered by 10 percentage points for 3 of the tracts.

Other eligibility requirements may not be waived, which include evidence of pervasive unemployment and general distress, an area population of 30,000 or less, an area size limit of 1,000 square miles, and no census tract may contain a portion of an Indian reservation.

### **III. USDA Efforts with the Empowerment Zones Program**

Regional workshops are being offered in thirteen locations during February to assist community leaders and rural development organizations with the program. Many of the Federal agencies offering special assistance for this program will be represented at these workshops, providing rural communities with a valuable opportunity to learn about new and existing programs. Information about the time and place of these workshops can be obtained by calling toll free 1-800-645-4712.

USDA has trained employees in each state to serve as contact persons for the Empowerment Zones program. These individuals can be reached through the FmHA state office in each state and are ready to provide assistance and information to communities interested in the program. Additionally, the Department is developing a system to provide information on the rural and urban program via the information highway by setting up an Internet service. We have had a few bugs with the last item, but expect that the service will be running shortly. Once on the Internet system, interested rural and urban communities will be able to obtain copies of the regulations, application forms and other material on the program as well as requesting assistance.

I strongly encourage all communities that are seriously considering applying for this program to attend one of the 11 remaining workshops that will be held in the following cities:

- Charleston, West Virginia on February 8
- Lumberton, North Carolina on February 9
- McAllen, Texas on February 11
- Greenville, Mississippi on February 14
- Detroit, Michigan on February 16

Las Vegas, New Mexico on February 17  
New York, New York on February 18  
Atlanta, Georgia on February 23  
Los Angeles, California on February 25  
Kansas City, Missouri on February 28

Communities should also submit an "intent to apply" form that are located in the application packet. This will allow USDA to provide interested communities with additional information. Applications and other material, including planning guidebooks, can be obtained from any FmHA State or District Office.

Applications must be received by USDA by June 30, 1994. Rural applications will be reviewed by a panel of experts. The Secretary of Agriculture has final responsibility for making rural designations. These are expected to be announced in late summer or early fall, 1994. Designated areas will begin receiving their Title XX grants with the beginning of Fiscal Year 1995.

Following designation, selected communities will conduct periodic performance reviews and report to USDA as a way of tracking their progress and identifying unexpected barriers or opportunities. USDA is also considering options for evaluative research to gain insights into ways the program might be modified or expanded to bring about greater success in revitalization of distressed rural areas.

#### **IV. Program Results**

We believe this program has a good chance to succeed where others have failed in the revitalization of distressed rural areas. One reason for this belief is that the Federal program is patterned, in part, after successful State enterprise zones. Research has shown that many State zones have successfully revitalized rural communities that were severely distressed in terms of high levels of poverty and unemployment.

Case studies of the most successful rural zones illustrates that the competition in seeking designation as a zone can function as a catalyst, encouraging a rural community for the first time to plan and implement a comprehensive economic development strategy. Other success factors for rural zones include effective local leadership and community commitment to the revitalization strategy. The Federal program will select communities that demonstrate these success characteristics.

We believe that the program will create new economic opportunities for distressed rural communities. Review of the most successful State zones in rural America show that as many as 10 jobs per year for every one hundred residents may be created. Even without including the estimated benefits from the private sector, the state and local government participation or the additional assistance of the Federal agencies, we expect the Federal Empowerment Zones to be more successful in the area of job creation. Federal Enterprise Communities will also

be successful in creating job opportunities. These areas, however, do not have the level tax incentives that Empowerment Zones have, so their success may be more modest. Their job creation performance is expected to be at least in the range of the average State zone, which is 4-5 jobs per year for every one hundred zone residents.

Compared with State zone programs, the Federal program's comprehensive approach should be better suited to address the problems of persistent poverty that have plagued rural America. Because the Federal program features Social Services Block Grants and promotes a variety of human and community development activities, we expect these areas to outperform State zones in reducing poverty.

We also hope this program's attempt to reinvent government will bring about significant improvements in the way Federal agencies assist distressed rural communities. All communities that apply for this program, including those that do not win designations, should benefit from efforts to reduce regulatory barriers and provide coordinated, one-stop aid applications.

We hope that the Empowerment Zones Initiative, which encourages comprehensive strategic planning and the coordinated efforts among Federal-State-local governments, the private sector and nonprofit sector as well as the citizens of poor communities, will be adopted more widely by other programs, benefiting all Americans.

Testimony by  
Michael T. Savage, Deputy Director  
Office of Economic Development  
before the  
Subcommittee on Economic Development  
Committee on Public Works and Transportation  
February 7, 1994

Thank you, Mr. Chairman, and Members of the Subcommittee for this opportunity to report on HUD's role in the Administration's Empowerment Zones and Enterprise Communities program to revitalize America's distressed urban and rural communities.

The Empowerment program centers on four key principles with the first being the priority for creation of economic opportunity, jobs and work for all residents. Sustainable community development looks to human and physical development as part of a coordinated and comprehensive strategy of economic development. Community-based partnerships call for broad participation by all segments of the community, from government to the private and nonprofit sectors, to community organizations and the affected residents. A strategic vision for change is a strategic map for revitalization, integrating the economic, physical, environmental, community and human development in a comprehensive and coordinated fashion so that families and communities can work together and thrive.

Our efforts, with the Department of Agriculture and the

President's Community Enterprise Board, have benefitted from a new climate of coordination and cooperation at the Federal level that reinforces the Administration's commitment to economic empowerment and economic self-sufficiency for the nation's areas marred by disinvestment and human and physical distress.

Since President Clinton signed the Omnibus Budget Reconciliation Act of 1993 authorizing the Empowerment Zone program last August, major strides have been made.

The Federal government pledged to work in a coordinated fashion, to abandon parochial and bureaucratic entanglements. We have recognized it as our priority to serve distressed communities, the users and customers of the Federal programs. There has been cooperation and there has been coordination where little to none existed before.

President Clinton increased the level and strength of the Federal agencies' and departments' capacity to work together to launch the Empowerment Zone program. In September, he established the Community Enterprise Board, composed of Presidentially appointed heads of Cabinet Departments, Agencies and the Assistants to the President for Domestic Policy and Economic Policy and chaired by the Vice President.

Under the aegis of the Board, we have pursued a participatory process. An extensive series of meetings has given us the opportunity to hear the concerns and recommendations of a wide array of individuals, organizations and entities that will ultimately participate in the program. This gave us the benefit



of the experience and insights of State and local officials; of business leaders and organizations; of financial institutions and economic development practitioners; of civic and community organizations; of the private and public nonprofit service providers; of the educational, environmental, public safety and family preservation communities.

During this same period, the Federal machinery was at work. Significantly, virtually every Federal domestic agency has been involved.

We have produced a special guidebook of Federal program resources identified by agencies and departments that communities can use to develop their Empowerment Zone strategic plan. The guidebook lists programs by kind of activity and identifies any preference applicants have for the funding, instead of the usual agency-by-agency listing that organizes information by agency operating systems instead of the users needs and interests.

The economic development/job creation section of the guidebook illustrates this approach. It clusters the information on the resources of HUD, EDA, USDA, SBA and the National Institute of Standards and Technology. HUD's Section 108 loan guarantee program has a set aside of \$500 million in loan guarantees for Empowerment Zones and Enterprise Communities. These funds can be used to finance activities such as housing, infrastructure development and site development. The Economic Revitalization grant program proposed in the FY '95 budget would provide an additional source of financing for projects located in

Empowerment Zones and Enterprise Communities.

The President's budget proposes \$500 million in grants specifically targeted to Empowerment Zones and Enterprise Communities. These grants could be used for a range of activities, at local discretion, including: repayment of debt financed by municipal bonds; financing of projects in conjunction with the Section 108 loan guarantee program and other economic development projects; and support for project-based rental assistance and other housing initiatives.

USDA's Rural Development Administration has set aside \$10 million in development grants and \$15 million for the Intermediary Relending Program in FY '95 for Empowerment Zones and Enterprise Communities. EDA's contributions include a "points added" preference, as an example, in its grant programs for Local Technical Assistance, Public Works, and Planning for States and Urban Areas.

The traditional necessities of a Federal program -- the regulations and forms and their clearances and publication -- moved along on a parallel and high-speed track.

In just five months since the signing of the law, these pieces of the program were all in place, and the President announced the program opening on January 17. The Federal partnership is a stronger one and better prepared to forge partnerships with the State and local governments for our having been through the planning process for this program. Communities competing for designation have until June 30 to complete and

submit their nomination packages.

There is one more component that extends the hand of Federal partnership to communities seeking Empowerment Zone and Enterprise Community designation. A series of Technical Assistance workshops offer assistance on the principles of strategic planning, the requirements of eligibility and the Federal government program opportunities.

The Vice President spoke to the participants at the first urban workshop, held last week in Chicago, to underscore the Administration's commitment to revitalization of America's distressed areas and to Federal cooperation and partnership.

Numerous Federal departments and agencies participated, making presentations and answering questions. In addition, Fannie Mae and Freddie Mac have committed resources and are participating in the workshops. HUD and USDA will continue sponsorship of a series of these workshops in locations across the country throughout the month of February.

We, at the Federal level, have taken a major stride toward what we are asking the communities to do: cooperate, form partnerships, and embrace flexibility.

**STATEMENT TO  
HOUSE ECONOMIC DEVELOPMENT SUBCOMMITTEE  
HONORABLE BOB WISE, CHAIRMAN  
FEBRUARY 7, 1994  
PRESENTED BY MICHAEL R. WENGER  
STATES' WASHINGTON REPRESENTATIVE  
APPALACHIAN REGIONAL COMMISSION  
1666 CONNECTICUT AVENUE, NW  
WASHINGTON, DC 20235  
(202)884-7746**

Thank you very much. I am honored to appear before this Subcommittee and particularly before you, Chairman Wise. I am proud to say that I have known Chairman Wise since before his days in Congress, and I lived and worked in his District for more than a decade. I know of no Member of Congress who is more committed, more hard-working, and more thoughtful in pursuing the needs of the people of his District, his state, and indeed, this nation.

These qualities are in clear evidence with your interest in this legislation, Mr. Chairman, and particularly with your strong support for both the Appalachian Regional Commission and the Economic Development Administration. On behalf of the Governors of the 13 Appalachian States, I thank you.

I want to thank you, as well, Representative Molinari, for your work as the Ranking Minority Member of the Subcommittee. You represent a District practically adjacent to where I was born and attended college. And you follow in the fine tradition of Ranking Members who have made this Subcommittee one of the most dedicated, progressive, and bi-partisan Subcommittees in the Congress during the 13 years I have been in Washington, DC.

The issues involved in community and economic development are, for the most part, not partisan issues. They are human issues. And Members of this Subcommittee, almost without exception, have consistently risen to the challenge of addressing such issues forthrightly, thoughtfully, and creatively. And so it is as we explore the potential impact of this Empowerment Zone/Enterprise Community legislation.

First, let me say that we strongly applaud this initiative. It is an initiative which recognizes that government can help -- it can be a catalyst, it can provide some resources, it can offer technical assistance and guidance. But government can be most effective when there is local leadership, local commitment, local resources, and ultimately, local responsibility.

Second, we are proud that this initiative builds on some of the lessons we have learned at the Appalachian Regional Commission -- that government programs work best when they encourage partnerships between the Federal, state, and local governments and between the public and private sectors, when they are the product of a bottoms-up planning process, and when they reflect the flexibility necessary to meet the varying needs of different communities.

And we are proud that through one of our most valued staff members, Judy Rae, we have been a partner in the preparation of the regulations and the application process for the rural portion of the program.

Tomorrow in Charleston, West Virginia is the first of a series of Department of Agriculture workshops designed to help potential rural applicants understand the legislation, the regulations, and the application process. These applicants will face a daunting challenge -- to work together across political boundary lines and with a broad cross-section of the overall community to prepare a 10-year comprehensive strategic plan which creates economic opportunity and sustainable community development through the use of community-based partnerships and within the framework of a strategic vision for change; to do it well enough to get one of the three Empowerment Zone or 30 Enterprise Community designations; and to do it in less than five months.

For rural communities, which generally do not have the financial or human resources, technical assistance, framework, networks, or partnerships that frequently exist in urban areas, it is a challenge so daunting that it is virtually paralyzing. USDA will offer assistance, but they will be spread paper thin.

But Appalachian communities will have an advantage, thanks to the foresight of your Subcommittee and the Appalachian Regional Commission. During our 29 years, we have focused considerable resources on building local government capacity to respond to opportunities for development. The network we have created of state development planning and local development districts throughout the Region puts Appalachian communities in a position to respond creatively and innovatively to the opportunities provided by this initiative.

In addition, we have reserved a total of \$200,000 from our Co-Chairmen's Fund to assist states or a state-designated technical assistance provider in the preparation of applications for empowerment zone or enterprise community designation. The money can be used to host workshops or informational meetings, to train local leadership in how to do the planning, to provide technical assistance and data, and to do whatever else may be necessary in the preparation of applications.

Also, we have prepared maps for each of our 13 states showing the areas that meet the poverty rate requirements for eligibility, we have held two briefings for state

officials on the legislation and regulations and participated in a workshop in Charleston sponsored by Chairman Wise, and we are in a position to assign members of our staff, if necessary, to provide on-site technical assistance in the preparation of applications.

Developing the plan and preparing the application is, however, only the beginning. It will be an equally daunting challenge for rural communities to implement their strategic plans.

While we cannot make any further commitments until the confirmation of our new Federal Co-Chairman, hopefully within a matter of days, we have been exploring ways in which we can help both successful and unsuccessful applicants in the implementation of their plans. And let me emphasize that we think it is just as important to reward unsuccessful applicants for the effort they will have expended as it is to help the successful applicants achieve their goals.

Among the possibilities:

1. For successful applicants, we could consider a special allocation of FY 1994 funds off the top, to be matched by state allocations of ARC funds, to be used for activities or improvements that cannot be funded by the Title XX block grant--public works, zoning management, marketing, transportation improvements, etc.
2. In future years we could consider a special allocation of funds for any area that qualifies as an enterprise community, whether or not it actually receives such a designation, to be spent in accordance with its strategic plan.
3. We can provide continuing technical assistance, directly or through Local Development Districts, as communities implement their strategic plans--training, development of data, coordination with other private and public sector groups, identification of barriers, and the like.
4. We can help evaluate a community's progress in implementing its strategic plan.
5. We can bring representatives of enterprise communities in the Region together on a regular basis to share ideas and compare progress.
6. We can be advocates for enterprise communities in the Region when the need arises--with banks, foundations, legislative committees, academic institutions, media, public interest groups, and the like.

Let me emphasize that we can make no commitments yet. That is for our 13 Governors and our new Federal Co-Chairman to decide. But we can make one promise. We will help the communities of Appalachia meet the challenge ahead. We will help them to overcome whatever obstacles they may face if they are willing to undertake the challenge.

The way this legislation is written and the manner in which guidelines have been drafted by USDA will help, as well. They demand a strategic vision, but they offer the flexibility to insure that the vision is a local vision, not a national vision.

They require local commitments but they offer national commitments, as well. They insist on local teamwork, but they offer to be an integral part of the team.

These three ingredients -- vision, commitment, teamwork -- are crucial to creatively meeting the challenge.

Vision is the first key ingredient. To be successful you have to have a vision for your community. You have to know where you want to go in order to know when you get there.

What do you want your community to be like? What do you want it to look like? What kind of development do you want to have? What kind of atmosphere and environment do you want to create? What kinds of services do you want to be available? What will be the defining image of your community?

Having a vision helps to keep your eyes focused on the prize, and it helps to avoid unnecessary obstacles. Henry Ford once said that obstacles are those frightful things you see when you take your eyes off your goal.

Applicants must have such a vision if they want to become empowerment zones or enterprise communities. But the flexibility in determining eligibility and in the use of resources insures that it will be the applicant's vision, not USDA's vision.

Local commitment to the vision is as important as the vision itself. And it has got to be a passionate local commitment in order to overcome the inevitable barriers and frustrations. The private sector, the public sector, the non-profit sector, community groups -- anyone interested and involved in community betterment -- must feel a strong commitment to the community's vision.

The national commitment is clear. Ten years to spend the money. Technical assistance every step of the way. Priority access to other Federal programs -- national service, community policing, EDA, SBA, Fannie Mae, HUD programs, and USDA programs.



Finally, teamwork brings it all together. Local communities need to build partnerships that are invested in the vision and share the passion and commitment. That means everyone needs to have a role in the planning and everyone needs to have a stake in seeing the plan through to completion.

Public officials, community organizations, the business community, all have a role to play and resources to provide. If they feel like they are a part of the action from the beginning, they'll be there to help. It's worth it to take more time to get everyone involved then to try to move too quickly and leave people behind. Invest time to build the team in the beginning and it will pay dividends all along the way.

And here, I truly applaud USDA for insisting on strong, meaningful teamwork -- on "community-based partnerships, involving participation of all segments of the community, including the political and governmental leadership, community groups, health and social service groups, environmental groups, religious organizations, the private and non-profit sectors, centers of learning, other community institutions and individual citizens".

The regulations require that the strategic plan describe "the ways in which the community's approaches to economic development, social/human services, transportation, housing, sustainable community development, public safety, drug abuse prevention, and educational and environmental concerns will be addressed in a coordinated fashion."

They require an explanation of how participants were selected and evidence that the participants, taken as a whole, are broadly representative of the racial, cultural, and economic diversity of the community.

They ask for a description of the role of the participants in the creation and development of the plan and how they will participate in its implementation over the long-term. And they ask for the identification of two or three topics addressed in the plan that caused the most serious disagreements among participants and a description of how these disagreements were resolved.

Perhaps most important, in offering to be part of the team, they offer to communities with innovative visions for change the possibility of waivers of Federal program regulations, flexible use of existing program funds, and cooperation in meeting essential mandates even if they do not receive an empowerment zone or enterprise community designation.

At the Appalachian Regional Commission, Mr. Chairman, we have learned that committed local leadership with a vision and with the ability to bring together widely disparate groups is essential to rural economic development. This legislation provides a framework for inspiring such leadership.



Having said all of this, however, let me point out some potential potholes. I have some concern that the limitations on the size and population of an eligible area may render some worthy areas ineligible. I believe there is inadequate emphasis on physical infrastructure needs in rural communities. The prohibition on employees moving outside the boundaries of an empowerment zone or enterprise community may be unduly restrictive. And there is a danger of creaming, so that the hard core areas which have the greatest need are ignored.

But, as we gain experience with the program, we may be better able to judge whether these are realistic concerns and how to most effectively address them, if necessary.

Perhaps, most of all, I am concerned about the expectations for this program. Some see it as the panacea for urban and rural economic development needs. If, in fact, it is seen as a panacea, it will be doomed to failure. It takes many tools to promote economic development. This legislation is one tool, one piece of a big puzzle. If approached in that light, it will, in partnership with EDA, ARC, FmHA, CDBG, SBA, and others, make an important difference in many communities.

I am encouraged by the strong, bi-partisan commitment on the part of those -- in both the legislative and executive branches -- whose energy and insight are essential to this effort. At ARC, we will do our share and more to be partners in progress.

Thank you, and I would be happy to try to answer any questions you may have.



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